



2022/2023

# Annual Report

Our Roadmap to Renewal



He Ngākau Aroha – Our City with Heart

Front Cover: Stead Street Stop bank and Cultural Artwork

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# Invercargill introduced

## Nau mai ki Waihōpai

From Makarewa in the north to Bluff in the south, from Kennington in the east and Ōreti Beach in the west, the Invercargill district encompasses nearly 500 km<sup>2</sup> of land crisscrossed by waterways.

The area was an important trading place and waystation for Māori, notably the Kōreti Estuary and the Ōtepuni Stream. Early European settlers brought with them Scottish traditions remembered today in streets named after Scottish rivers.

Invercargill is Aotearoa New Zealand's southernmost city, the commercial hub of Southland, which is a mostly agricultural region. Invercargill is famous for its relaxed lifestyle and southern hospitality, beautiful parks and wide streets. Its 2020 population was 57,100, which is expected to climb to around 63,000 by 2031. Its people enjoy the great outdoors and their proximity to the wild coast to the south and the lakes district to the north.

With a mild coastal climate and an average temperature of 9.9°C, Invercargill enjoys 1,614 sunshine hours and an annual rainfall of 1,112 mm per year.

All figures are GST exclusive unless otherwise stated



# Introduction

Tīmatanga kōrero



## Welcome to the Invercargill City Council's Annual Report 2023

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

## What is the Annual Report?

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

## Mayor's Comment

### Ngā kōrero a te Koromatua



It has been a challenging year with many highlights. Council governance is now vastly improved and I am proud of our achievements, including a modest rate increase, much lower than most councils' which acknowledges the pressure on families from the cost of living increases in food, fuel, interest rates and power.

The last year has seen a number of major milestones including the completion of Invercargill Central Mall and the inner city street upgrades of Don and Esk Streets. Along with this the upgrade and strengthening of the Stead Street Stop Bank that protects our Airport into the future has been completed and it is good to see the progress being made by our partners Environment Southland to complete the pump station. Project 1225 has commenced with good progress to deliver the Tisbury Storage Facility.

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.

A handwritten signature in black ink, appearing to be 'Nobby Clark', written in a cursive style.

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 Centre 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

# Elected Members

## Kōwhiri huānga

The Invercargill City Council is chosen by the Invercargill public in elections held every three years.\*



**Nobby Clark**  
Mayor



**Allan Arnold**  
Councillor



**Ria Bond**  
Councillor



**Trish Boyle**  
Councillor



**Tom Campbell**  
Councillor



**Alex Crackett**  
Councillor



**Grant Dermody**  
Councillor



**Peter Kett**  
Councillor



**Darren Ludlow**  
Councillor



**Ian Pottinger**  
Councillor



**Lesley Soper**  
Councillor



**Barry Stewart**  
Councillor

### What is Council and what does it do?

The Council consists of the Mayor and 12 Councillors and its role is to provide and maintain services and amenities for the public of Invercargill. The Council is chosen by electors (the Invercargill public) to govern the City's affairs, such as making decisions on spending, priorities and policies.



**Steven Broad**  
Councillor



**Evelyn Cook**  
Waihōpai Rūnaka  
Representative



**Pania Coote**  
Te Rūnanga o Awarua  
Representative

\*There was a by-election 4 August 2023 as a result of Nigel Skelt resigning on 4 May 2023 and Steven Broad was voted in as the new councillor.





## Māori Capacity to Contribute to Decision Making

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

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

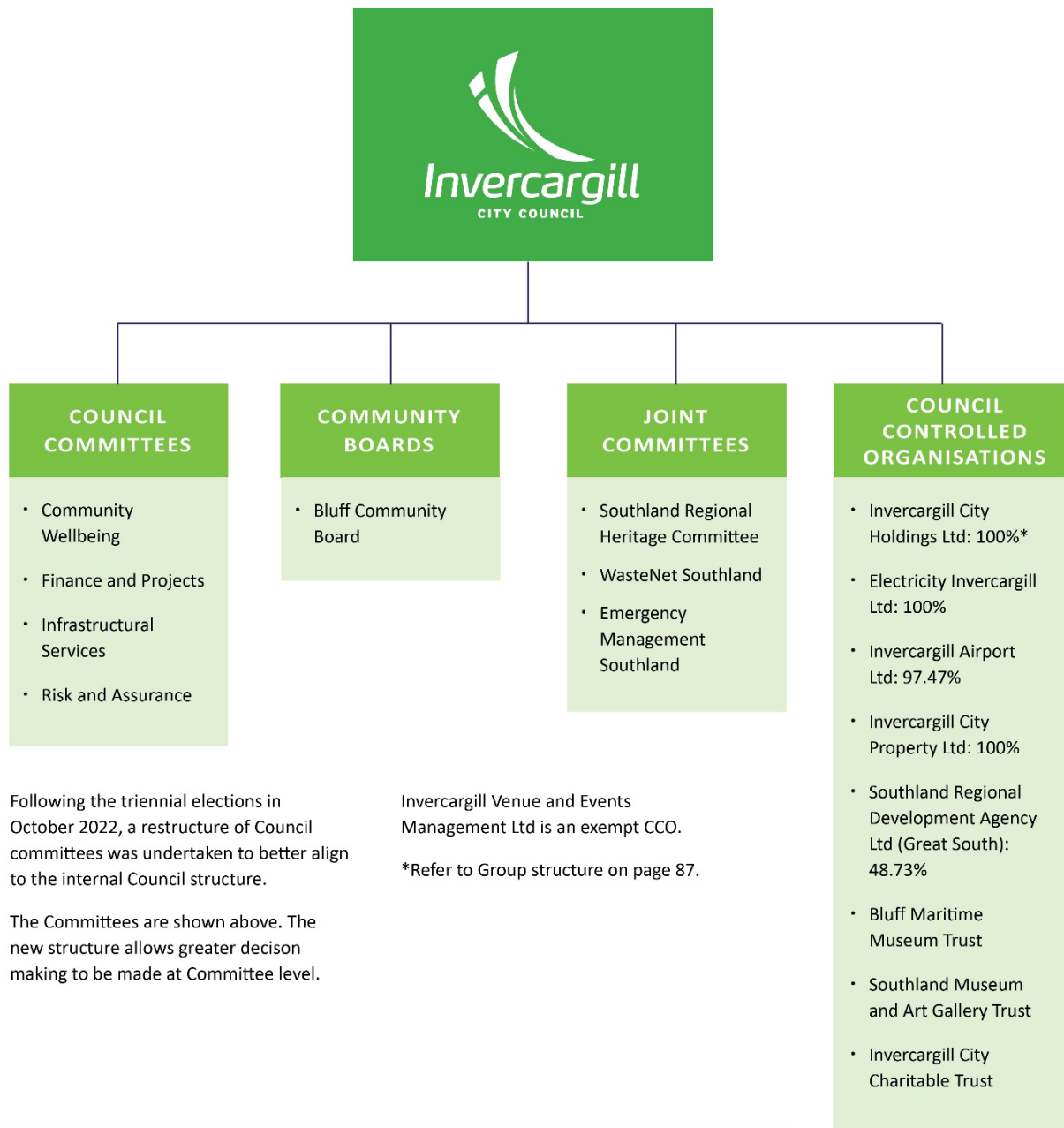
2022/23 was the first full year of Mana Whenua representatives for both Waihōpai Rūnaka and Te Rūnanga o Awarua on its standing committees. This has enabled Mana Whenua to have a voice as part of decisions across the wide range of business which Council has undertaken over the year.

Council has worked in partnership with both Rūnaka on a range of projects including installation of pou and other cultural narrative as part of the City centre development, the installation of cultural sculpture at the Stead Street Stopbank, the Just Transitions community capacity building project, inclusion of more Te Reo options for road names and a range of other initiatives.

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

# Council Structure

## Te hanganga kaunihera



# Highlights

Ngā kaupapa nui

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

# Our Achievements



- |                 |  |
|-----------------|--|
| <b>Jul 2022</b> | 1. Stead Street St Stopbank Upgrade  |
|                 | 2. City Block Stage One opens  |
|                 | 3. Bluff Information Kiosk landscaping complete                                  |
| <b>Oct 2022</b> | 4. Anderson House complete   |
|                 | 5. School speed signs and rural speed limit changes                              |
| <b>Nov 2022</b> | 6. Stage One Rugby Park complete   |
| <b>Dec 2022</b> | 7. Construction of Tisbury storage facility begins                               |
|                 | 8. City Block Stage Two opens  |
| <b>Apr 2023</b> | 9. Bluff boat-ramp Stage One designs approved                                    |
|                 | 10. City Centre Stage One (Esk and Don sts) complete                             |
| <b>May 2023</b> | 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   |
| <b>Jun 2023</b> | 15. Stirrat St Housing Units break ground  |
|                 | 16. Stage One of Branxholme 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 carpark |
|                 | 20. Queens Park Tree - Kelvin Street regeneration Stages Two and Three           |
| <b>Jul 2023</b> | 21. Concept Design agreed for Tuatara facility                                   |
| <b>Aug 2023</b> | 22. Concept Design for 1225 released   |

 Financial year



# Roadmap to Renewal Deliv

July 2021   October 2021   January 2022   April 2022   July 2022   October 2022   January 2023   April 2023   July 2023   October 2023   January 2024   April 2024   July 2024   October 2024   January 2025   April 2025   July 2025   October 2025   January 2026

2021 - 2023  
Anderson  
House



2021 - 2023  
City Centre  
Upgrade Pt1



2021 - 2024  
Bluff  
Boat Ramp  
Renewal



2021 - 2027  
Southland  
Museum and  
Art Gallery



2023 - 2025  
Rugby Park  
Renewal



2024  
Surrey Park  
Grandstand  
Renewal



2023 - 2026  
City Centre  
Upgrade Pt2



2027  
Water  
Tower



2027 - 20  
Arts and  
Creativity  
Invercargill

## PHASES



CONCEPT



PLAN



DESIGN



CONSTRUCTION

LINE OF PROGRESS

## ESTIMATED COST

ROADMAP  
TO RENEWAL  
BUDGET

**\$145.9 MILLION**

**\$115.1 MILLION**

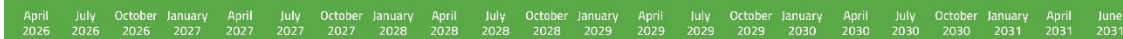
**\$30.8 MILLION** SPEND-TO-DATE

BALANCE





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
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## Financial Overview

### 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 valuation of carbon credits contributed a further \$4.2 million to Council's overall result.

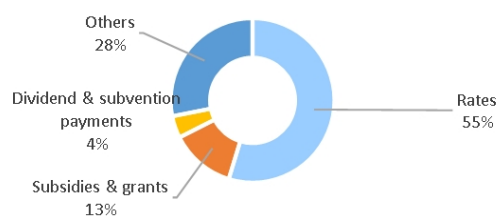
The results for the year ended 30 June 2023 have been significantly impacted by an \$11.8 million increase in depreciation expense. The increase reflects the consequence of the \$215.2 million property plant and equipment revaluation increase in 2022. The 2022/23 Annual Plan anticipated some of the increase however, the depreciation expense for the year is still \$8.9 million higher than planned. Asset values are currently increasing significantly due to inflationary pressures which also cause depreciation 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, \$16.1 million lower than 2022. Group total assets have remained the same at \$1.5 billion while liabilities are \$273.6 million.

Source of Revenue - 2022/23

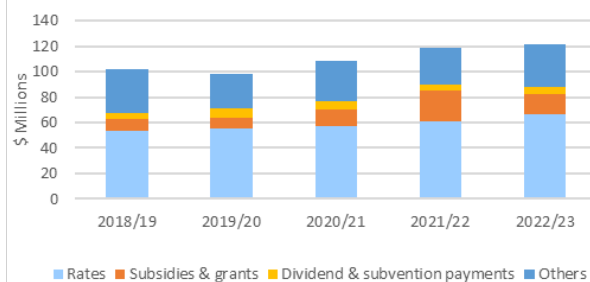


Total Revenue (excluding gains) of \$122 million was \$9 million higher than budget and \$3.5 million higher than 2022.

The revenue increase for 2023 reflects the impact of the growth in the number of rating units within the city with rating units increasing from 26,847 to 27,056 partially offset by the decrease in subsidies and grants relating to the Crown funding for 3 Water projects, reflecting the timing of the capital programme.

The variance to budget was principally due to higher subsidy and grant income, finance revenue and direct charges revenue.

Source of Revenue - 2022/23



### Over the past five years

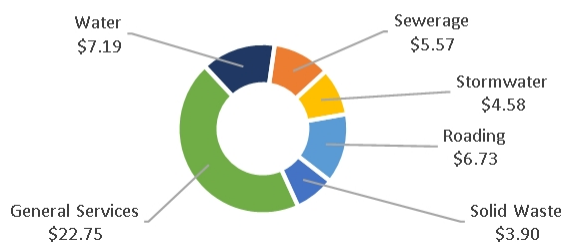
- Rates revenue has slowly increased, with increases in both the number of rating units and higher rates charges.
- Subsidies and grant revenue has held steady over the year except for in 2021/2022 when additional government funding was received for capital projects within the 3 waters activities.
-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

## Where do my rates go?

### On average our activities cost \$50.72 per week

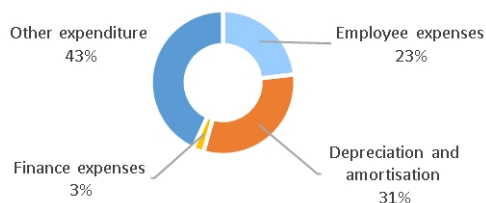
- \$17.34 goes to the three waters (water supply, stormwater and wastewater);
- \$22.75 goes to General services which includes our parks, libraries, aquatic and regulatory activities;
- \$6.73 goes to transport, and roading activities; and
- \$3.90 goes to solid waste.

### Where does my rates go each week?



## Total expenditure

Expenditure Categories - 2022/23

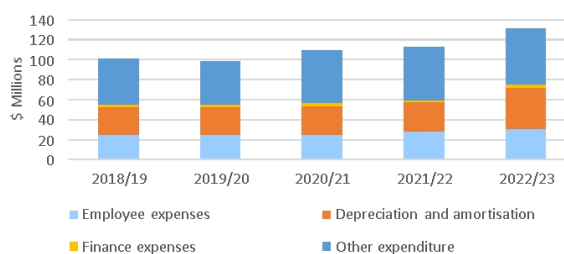


Expenditure excluding depreciation of \$90 million was \$6 million higher than budgeted and \$7 million higher than 2022. This is principally the result of increased recruitment cost as employee vacancies have reduced and to resource the capital programme over the coming years. The increase in other expenditure is driven by the increase in repairs and maintenance in the three waters areas and increase 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 - 2022/23



### 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 \$41.0 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.

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### Capital expenditure

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

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

### Capital Expenditure - 2022/23



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 prudence benchmarks

### Te Whakaaro Whakatūpato ā-pūtea

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

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	Debt servicing benchmark – met
Rates increase affordability – met	Debt control benchmark – met
Debt affordability benchmark – met	Operations control benchmark – met
Balanced budget benchmark – not met	
Essential services benchmark – met	

These ratios and benchmarks enable the reader to determine that 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 2023.

#### **What is the purpose of this statement?**

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

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



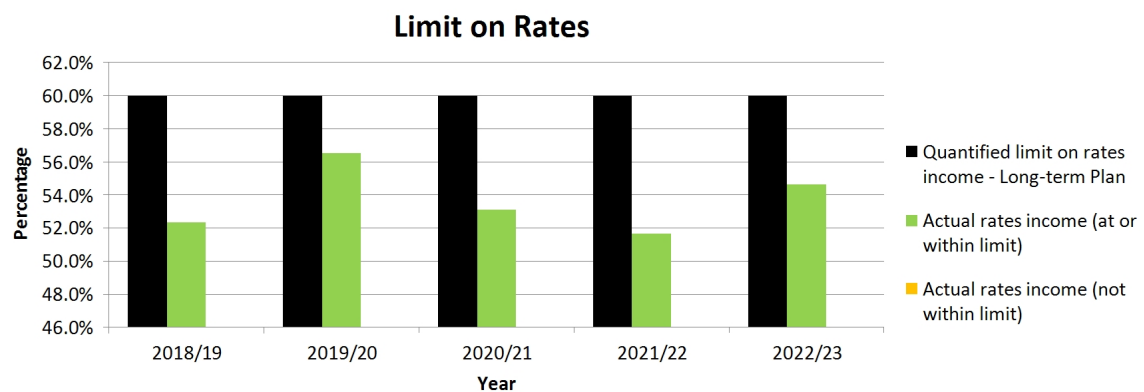
### Rates (Income) Affordability Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total rates revenue - Annual Report	53,309	55,550	57,573	61,313	66,548
Other income - Annual Report	48,538	42,729	50,835	57,349	55,203
Total income - Annual Report	101,847	98,279	108,408	118,662	121,751

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 Council's actual rates income with a quantified limit on rates contained in the financial strategy included in Council's Long-term Plan. The quantified limit is rates revenue will not exceed 60% of total revenue.



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

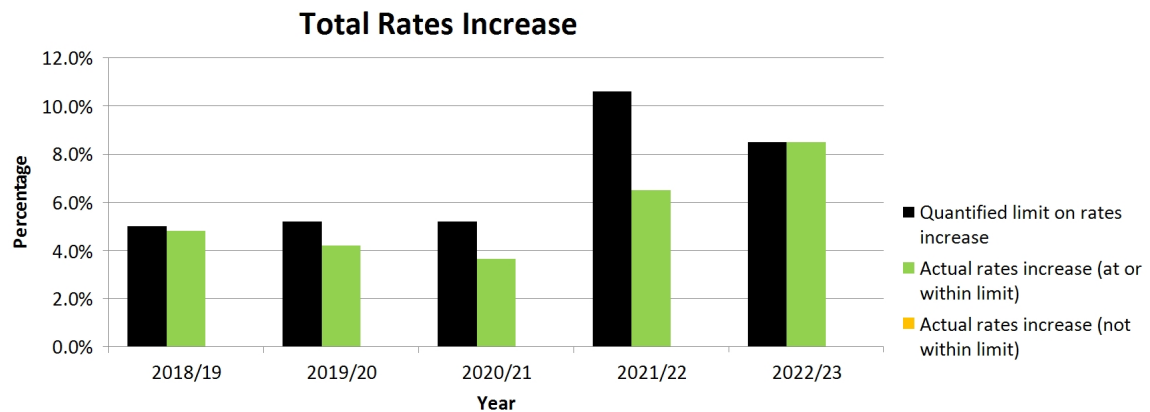
### Rates (Increases) Affordability

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total rates revenue - Annual Report	53,309	55,550	57,573	61,313	66,548
LGCI (Local Government Cost Index)	2.0%	2.2%	2.2%	7.6%	5.5%
Additional limit	3.0%	3.0%	3.0%	3.0%	3.0%

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 Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in Council's Long-term Plan. The quantified limit is that "Rates increases will not exceed the Local Government Cost Index (LGCI) plus 3%.



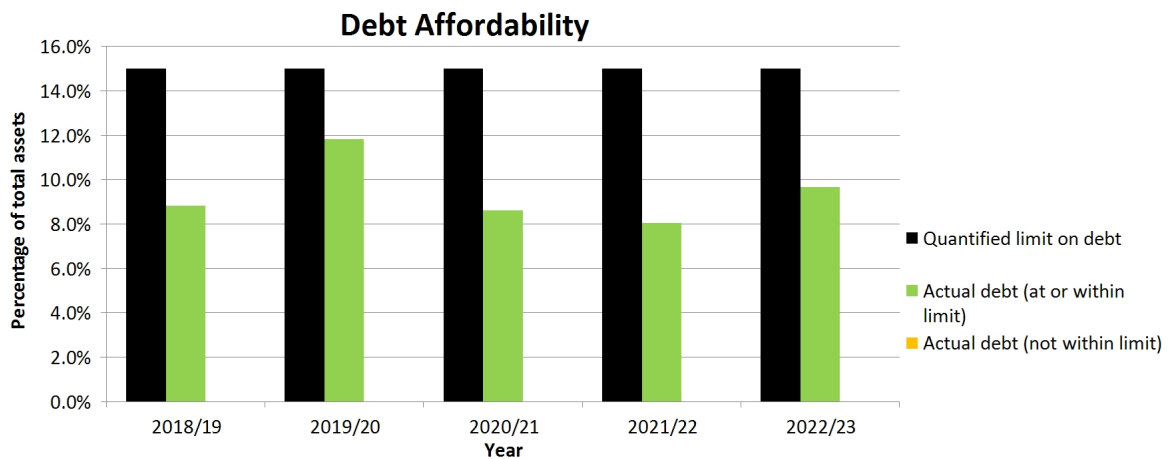
Council has met the limits over the last five financial years. For 2022/23 the increase in the rates revenue was 8.5% equalling the limit. While there was a lower rates increase for existing ratepayers, rates revenue increased by 8.5% due to growth in the rating base.

### Debt Affordability Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total assets - Annual Report	1,022,965	1,062,340	1,036,308	1,267,980	1,287,378
External borrowing	90,205	125,514	89,222	102,062	124,499

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

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



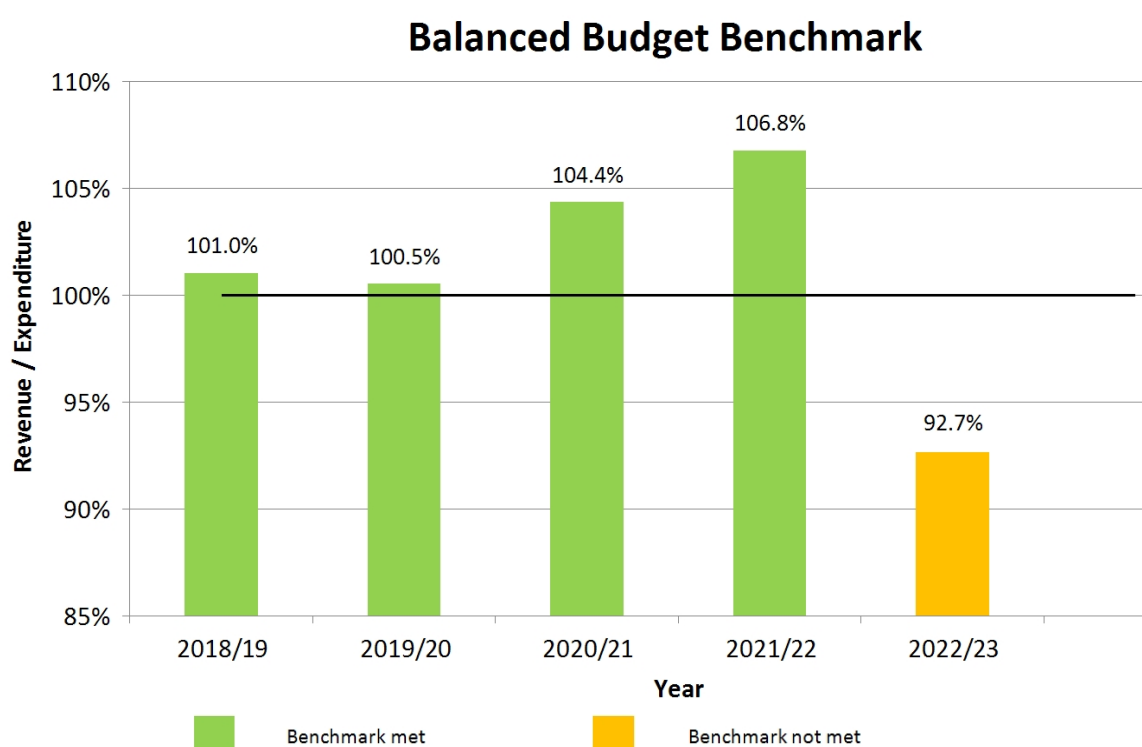
Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

### Balanced Budget Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total revenue (excluding *)	102,882	100,213	113,896	120,237	121,751
Total expenditure (excluding ^)	101,827	99,684	109,140	112,601	131,376

The following graph displays Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

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 2022/23. 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.

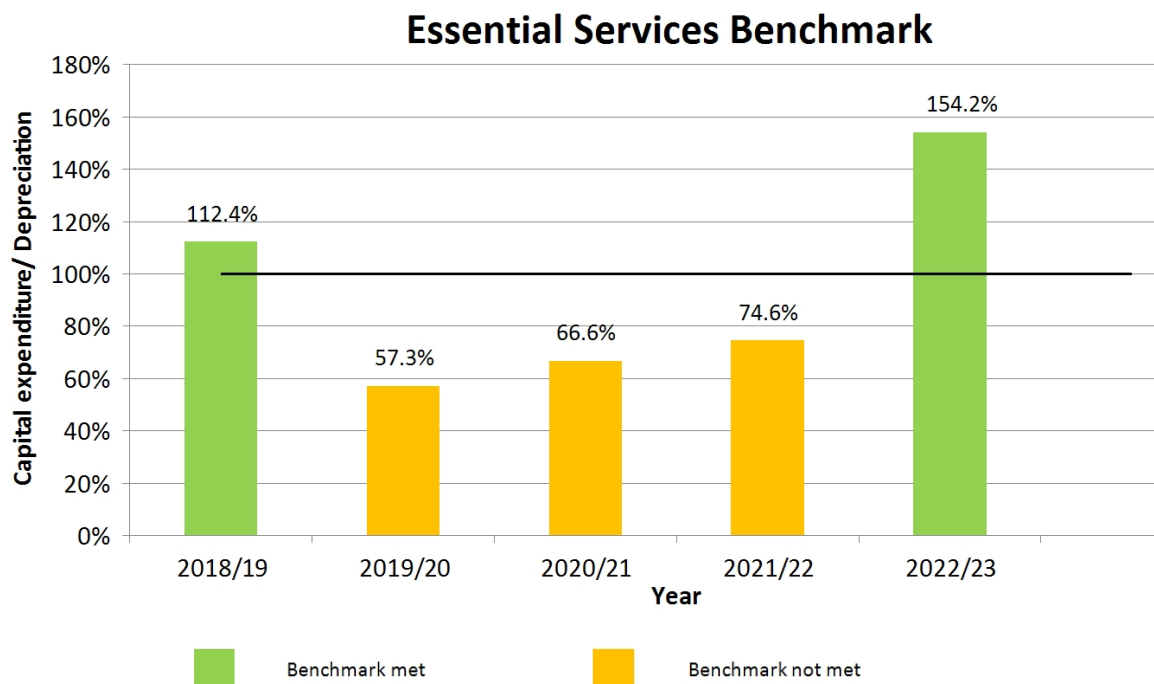
Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than its operating expenses for four of the past five years. Council continues to investigate efficiencies to reduce expenditure and increase other revenue, and by doing so reduce the revenue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

The breach in 2022/23 is the result of the significant increase in depreciation as a result of the revaluation of property, plant and equipment at 30 June 2022.

### Essential Services Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Capital expenditure additions *	23,780	12,360	14,547	16,402	48,499
Depreciation ^	21,162	21,589	21,851	21,980	31,453

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



\* Capital expenditure on network assets has been deemed to be additions to Infrastructural Assets as per Note 11.3: 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 2019/20 the Covid-19 lockdowns and procedures meant that some capital projects could not be worked on. During the 2020/21 and 2021/22 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.

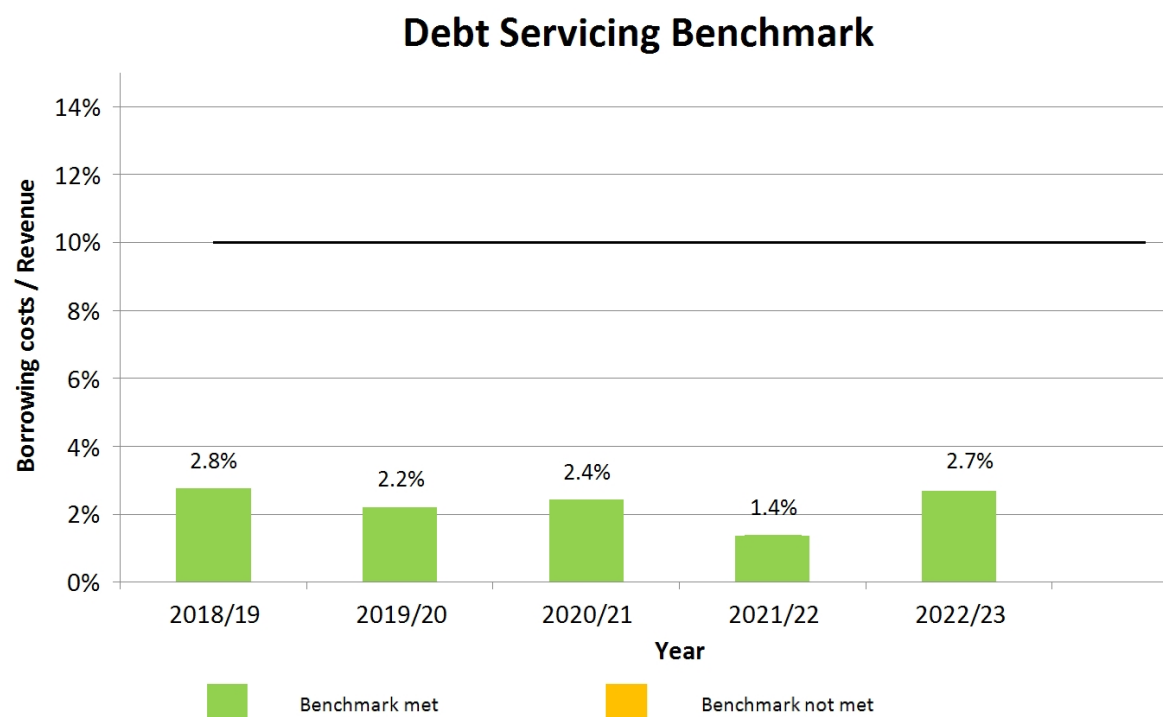


## Debt Servicing Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Borrowing costs *	2,845	2,263	2,767	1,627	3,266
Revenue (Balanced budget)	102,882	100,213	113,896	120,237	121,751

The following graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

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



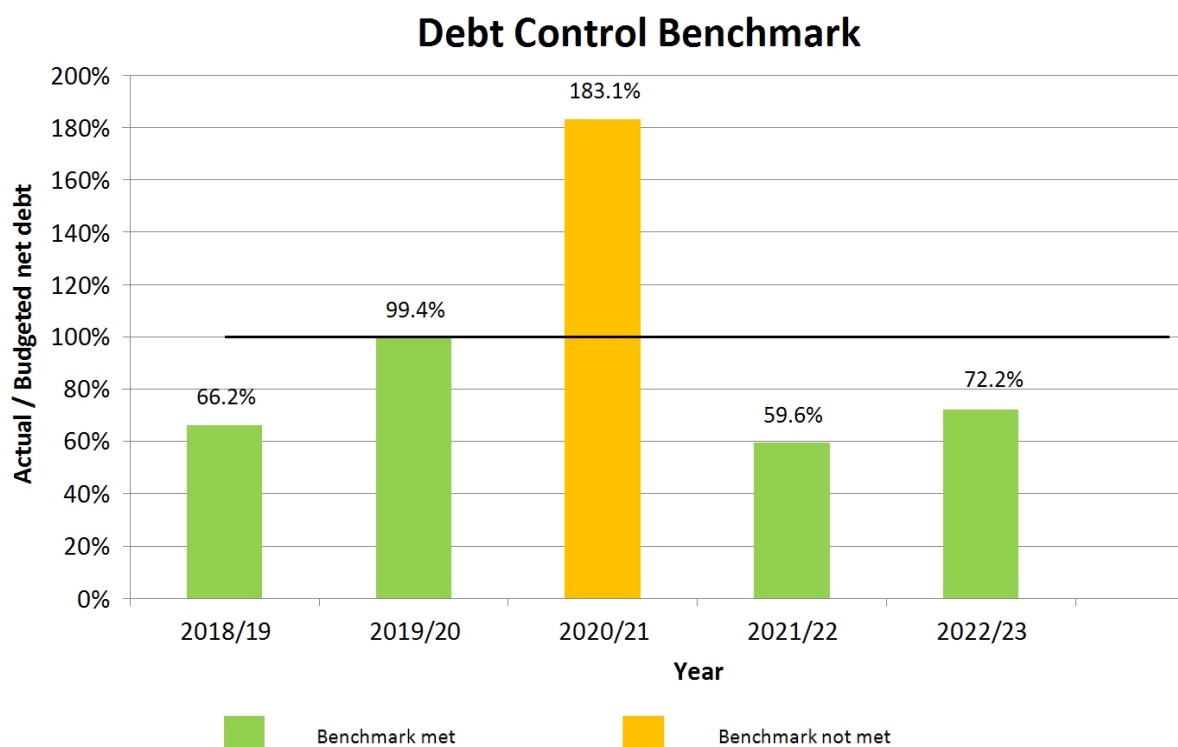
Council's cost of debt is well under the legislative threshold of 10% of revenue. Total borrowing has increased in four of the last five years as Council incurs higher capital expenditure related debt. This has been largely offset by Council's cost of borrowing remaining low as a result of low market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

## Debt Control Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Actual</b>					
Financial assets - Annual Report *	73,608	94,920	54,418	59,314	60,318
Financial liabilities - Annual Report ^	104,621	143,779	111,151	117,371	143,182
Actual net debt	31,013	48,859	56,733	58,057	82,864
<b>Planned</b>					
Financial assets *	63,859	53,607	98,629	45,283	55,927
Financial liabilities ^	110,718	102,745	129,621	142,670	170,641
Budgeted net debt	46,859	49,138	30,992	97,387	114,714

The following graph displays 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).

Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



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

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

Council's actual net debt position has consistently been below its planned net debt position due to the deferral of debt funded capital and infrastructure projects. In 2020/21 the benchmark was not met due to:

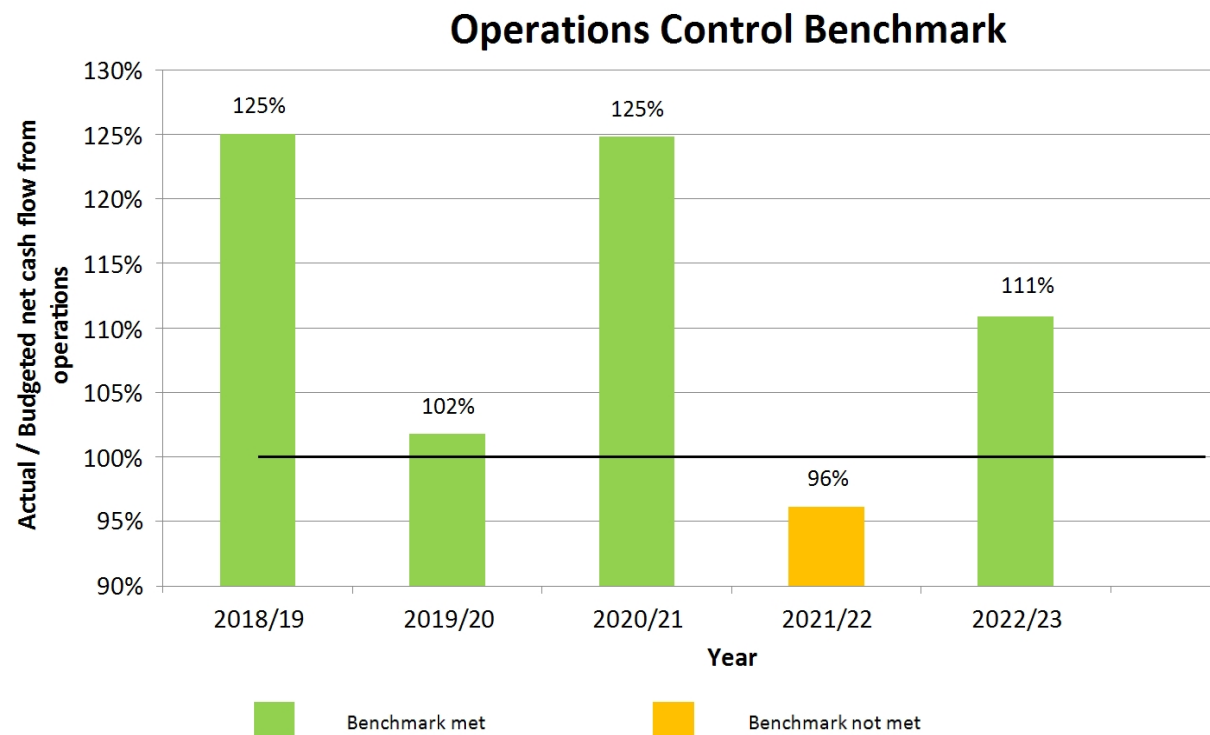
- higher than planned trade and other payables balance which includes subsidy funding revenue received in advance but not spent for shovel ready and 3 waters stimulus projects; and
- purchase of shares within Invercargill City Holdings Limited to fund the City Centre investment.

### Operations Control Benchmark

	2018/19	2019/20	2020/21	2021/22	Year of Annual Report 2022/23
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Actual net cash flows from operations	29,334	28,316	32,971	29,026	32,290
Budgeted net cash flows from operations	23,460	27,823	26,414	30,192	29,128

This graph displays Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



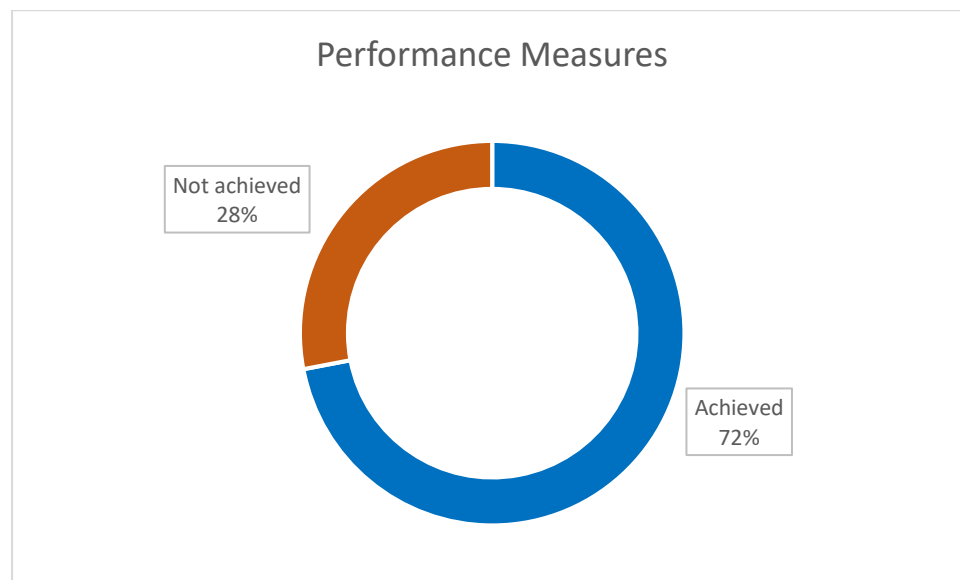
Council has met the Operations Control benchmark, with actual net cash flows from operations higher than planned cashflows in all but 2021/22. This was the result of lower revenue due to Covid restrictions and higher than planned expenditure including increased waste charges.

## Summary of Service

### Whakarāpopototanga o ā mātou mahi

#### Summary of Activities and Level of Service

The 2021–2031 Long-term Plan identified 48 levels of service and 99 measures against which performance would be measured for its activities. The levels of service identify areas of performance Council wanted to provide to its community and the measures are performance indications as to whether the levels of service have been achieved.



In the graph above, 'Achieved' means that the 2022/23 performance measure was met or exceeded. 'Not achieved' means that the 2022/23 performance measure was not provided to the target level. This compares to 64% achieved and 36% not achieved in 2021/22.

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

## Independent Auditor's Report

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

The Auditor-General is the auditor of Invercargill City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2023. This is the date on which we give our report.

## Opinion on the audited information

### ***Qualified opinion on the financial statements and statement of service performance***

In our opinion, except for the possible effects of the matters described in the *Basis for our opinion* section of our report:

- the financial statements on pages 97 to 186:
  - present fairly, in all material respects:
    - the City Council and Group's financial position as at 30 June 2023; and
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and

- the statement of service performance on pages 37 to 79:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2023, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand.

***Unmodified opinion on the funding impact statements and statement about capital expenditure***

In our opinion:

- the funding impact statement on page 40, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- the statement about capital expenditure for each group of activities on pages 43 to 60, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's long-term plan; and
- the funding impact statement for each group of activities on pages 44 to 60, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan.

**Report on the disclosure requirements**

We report that the City Council has:

- complied with the requirements of schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 17 to 25, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and Group's audited information and, where applicable, the City Council's long-term plan and annual plans.

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

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

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

As stated in note 11 on pages 122 to 123 of the financial statements, the City Council and the Group measure certain classes of its property, plant and equipment assets at fair value. *PBE IPSAS 17 Property, Plant and Equipment* requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included in the financial statements at a value that is materially different to fair value.

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

As disclosed in note 11 to the financial statements, the City Council 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.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

### **Emphasis of matter - uncertainty over the water services reform programme**

Without further modifying our opinion, we draw attention to Note 31 on page 186, which 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 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.

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

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

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

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.



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

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's long-term plan and annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 16, 26, 35 to 36, 80 to 83, 96 and 187 to 192, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for our opinion* section above, we were unable to obtain sufficient appropriate evidence over the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022, presented as comparative information. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

## **Independence**

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* 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 our audit and our report on the disclosure requirements, 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 on page 114 and note 6.1 on page 115 and, 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 any of its subsidiaries and controlled entities.



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

# Statement of Compliance

## Tauākī o ngā tūtohu

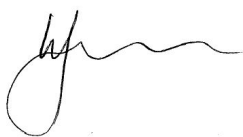
Council and its officers are responsible for the preparation of this Annual Report for 2022/23.

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

This report was approved and adopted by a meeting of the Invercargill City Council on 31 October 2023.

It correctly reflects Council's financial position and operation results for the year ended 30 June 2023.

Council adopted this Annual Report on 31 October 2023 and complies with all statutory requirements in relation to the Annual Report.



N Clark  
MAYOR



M Day  
CHIEF EXECUTIVE

# Our Activities

## Ngā ngohe

This section outlines all of the activities of Council and includes information so that the Community can see how we planned, managed, delivered and funded.

This section is divided into six groups of activities:

- Water
- Stormwater
- Sewerage
- Roothing
- Solid Waste Management
- General Services

The first five groups of activities encompass the infrastructural services role of Council. These are generally accepted as essential for a predominantly urban population. The cost of providing these five groups of activities accounts for over 50% of Council's rates charge.

### **Water**

The Water activity is responsible for supplying potable water to residential, industrial and commercial properties to protect public health and support city growth.

### **Stormwater**

The Stormwater activity manages the stormwater network of pipes, open drains and pumping stations for the collections and disposal of stormwater to protect property from flood damage. The activity also managed the tide protection banks around the Stead Street and Cobbe Road (rifle range) as part of the City's flood protection schemes.

### **Sewerage**

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

### **Roothing**

The Roothing activity provides a safe, effective and efficient transport system and contributed to the social and economic wellbeing of the Invercargill District. This is achieved by providing a road network that enables safe travel within and through the district including the provision of cycleways and footpaths.

### **Solid Waste Management**

The Solid Waste Management Activity manages the solid waste services including collection of kerbside recyclables, collection of kerbside landfill rubbish, the Solid Waste Transfer Station (resource recovery), landfill operations, public place and event waste management and minimisation, education, behaviour change and advocacy. The Council collaborates with Southland and Gore District Councils as a shared service called WasteNet Southland.

**General Services**

The General Services group of activities includes eleven sub-activities which are provided by council to support community wellbeing. These are:

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

The General Services group of activities are funded from general rates.

## Council activities

# Statement of Service Performance 2022/23

This and the following pages of the Annual Report constitute part of the Statement of Service Performance (pages 35-38, 41-43, 45-46, 48-49, 51-54, 56-57, 59, 61-79. Note 2.3 to the Financial Statements 109-110)).

The Statement of Service Performance has been prepared in accordance with generally accepted accounting practice (GAAP).

### *Service performance judgements and assumptions*

Council's Levels of Service were developed through the 2021-2031 Long-term Plan process to provide meaningful measureable statements which show how Council is delivering on its community outcomes.

Council has made the following judgments in the selection of our levels of service and service performance measures found in the 'Our Activities' section:

- Each level of service links back to one or more community outcome which the Council is working to achieve.
- We have ensured that the performance measures adequately inform Councillors and the community on progress towards delivering against their community outcomes. The detail of the connection between community outcomes, levels of service and key performance indicators can be seen in the reporting for each activity.
- Consideration has been given to the views expressed by our residents and ratepayers, including the Bluff Community Board. This includes feedback relevant to the levels of service and performance measures received throughout the Long-Term Plan consultation process.
- We have ensured that the performance measures adequately inform progress towards delivering the community outcomes.

Under the Local Government Act 2002 we are mandated to provide standard performance measures so that the public may compare the level of service provided in relation to the following group of activities: Water, Stormwater, Sewerage, Roading, Solid Waste Management and Corporate Services. DIA guidance has been followed in measuring performance against all mandatory performance measures.

Further to the above judgements being made in the selection of performance measures, we also apply judgements in the measurement, aggregation, and presentation of service performance information.

As part of setting funding levels, Council has considered the impact on services and their related performance measures. Material judgements have been applied as follows:

### **Community Outcomes**

Council's community outcomes are to enhance our city, preserve its character and embrace innovation and change.

The community outcomes were developed by the Councillors, who determined the appropriate levels of services utilising guidance from officers and indication of community priorities gathered through a residents survey and community workshops, both of which were delivered by a professional research agency and had a +/- 5% statistical confidence level.

### **Key Performance Indicators**

The Key Performance Indicators were developed by managers and workshoped with Councillors. Selection of KPIs was made on the basis of supporting consistency across factors such as time, cost and quality indicators, while including all the required Department of Internal Affairs measures. Quality and timeliness of availability of data was also considered.

Aggregation of Key Performance Indicators against Levels of Service was undertaken on the basis of providing at least one meaningful measure per level of service, and more where needed and/or required by the DIA. Meaningful measures were determined by managers considering the range of appropriate and available indicators and together with senior management selecting the most appropriate which were then considered and finalised by Councillors.

A range of Council data management systems is used for collection of other KPIs including asset management systems, technical and lab reports, reports from contractors, reports from Central Government Agencies, track counters, visitor records, service management records, customer relationship management systems and funding records as appropriate to the relevant activity.

### **Residents Survey**

To measure satisfaction with a range of Council facilities and services, Council contracted an external professional research agency to survey the community. A consistent methodology is used for delivering resident satisfaction measures. The community is surveyed through the year, with results reported quarterly.

- The survey is designed by external research experts, based on best practice in survey design. They are also designed to measure changes in satisfaction over time. For example, questions are written so they are clearly understood by participants and neutral in tone; and response options are designed so they are balanced, do not lead participants to respond in a certain way and cover all possible responses a participant may wish to provide. Neutrality is important which is why the survey is independently run. The analysis from this survey is used to improve our processes and informs future service level improvements.
- Survey sampling (i.e. recruitment of participants) is conducted in a way that maximises the representativeness of respondents, and post-survey weighting is often used to further ensure results are representative of the population of interest. Statistical significance testing is used where appropriate to assist in identifying meaningful results

- results are statistically accurate (+/- 5%) by the time of annual reporting. Where there is uncertainty in survey results due, for example to sampling error, this is often quantified and stated alongside the results. To minimise the risk of under representative sampling, best practice market research techniques are used across the spectrum of research including statistical weighting of the sampled population to ensure census level representation and surveys being designed to ensure minimal drop-out rates.

To determine the number of performance measures to monitor and report on, and the level of aggregation (for example, whether to report on customer satisfaction for each recreation facility or one combined result across all the recreation facilities), we have considered the information needs of our communities, the costs and benefits of these, practical feasibility, and the requirement to provide performance information across the full breadth of services that the council provides.

External implications for statements about performance  
There are conditions that affect the service performance results and may result in a variation from the anticipated or forecasted results. These are ones which are outside the control of Council. Examples of this are, but not limited to changes in government policy in New Zealand, changes in international travel restriction, global and domestic economic conditions and international policy that may impact areas such as recruitment, availability of material and supplies (for example, materials required for critical infrastructure), volatility in international financial markets and other unforeseen considerations.

### 2022/23 Performance

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 Covid had a lingering impact on quarters one and two, core services have been delivered effectively and performance lifted in the remaining quarters.

Results for the solid waste and venues and events activities have been updated during the 2022/23 financial year, following recalculation. More information on these can be found on pages 57 and for solid waste (note number 1) and page 74 (note number 3) for venues and events services.

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 fourteen 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, fewer 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.



### Summary of Income and Net Costs by Group of Activities

Group of Activity	Cost	Income	Net Cost	Net Cost	Net Cost
	Actual	Actual	Actual	Plan	Actual
	2023	2023	2023	2023	2022
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Water	5,418	2,293	3,125	2,963	2,867
Sewerage	3,519	1,307	2,212	2,293	2,403
Stormwater	2,343	65	2,278	2,351	2,015
Roading	7,856	5,628	2,228	2,216	2,403
Solid Waste Management	15,334	9,962	5,372	5,417	6,607
General Services	58,024	28,813	29,211	30,557	27,757
<b>Total cost of service delivery</b>	<b>92,494</b>	<b>48,068</b>	<b>44,426</b>	<b>45,797</b>	<b>44,052</b>

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

### Summary of capital expenditure charged to Activities

Group of Activity	Capital Expenditure		
	Actual	Plan	Actual
	2023	2023	2022
	(\$000)	(\$000)	(\$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
<b>Total cost of service delivery</b>	<b>51,745</b>	<b>75,616</b>	<b>49,452</b>

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

### Summary of depreciation and amortisation expenses charged to Activities

Group of Activity	Depreciation and amortisation		
	Actual	Plan	Actual
	2023	2023	2022
	(\$000)	(\$000)	(\$000)
Water	6,809	4,517	4,048
Sewerage	7,867	4,486	4,145
Stormwater	4,493	4,375	3,882
Roading	12,380	10,801	9,895
Solid Waste Management	338	551	493
General Services	9,121	7,293	6,756
<b>Total cost of service delivery</b>	<b>41,008</b>	<b>32,023</b>	<b>29,219</b>

# Invercargill City Council: Funding Impact Statement

For the year ended 30 June 2023 Whole of Council

	Annual Plan 2021/22 \$ 000	Actual 2021/22 \$ 000	Annual Plan 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	36,084	37,324	40,108	40,686
Targeted rates	23,749	23,988	25,669	25,862
Subsidies and grants for operating purposes	5,713	5,333	4,426	6,392
Fees and charges	25,214	20,267	25,064	22,251
Interest and dividends from investments	5,166	6,196	5,781	8,090
Local authorities fuel tax, fines, infringements, fees and other receipts	2,586	8,458	3,261	10,337
<b>Total operating funding (A)</b>	<b>98,512</b>	<b>101,566</b>	<b>104,309</b>	<b>113,618</b>
<b>Applications of operating funding</b>				
Payment to staff and suppliers	77,312	82,680	81,979	87,953
Finance costs	2,247	1,627	2,325	3,266
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>79,559</b>	<b>84,307</b>	<b>84,304</b>	<b>91,219</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>18,953</b>	<b>17,259</b>	<b>20,005</b>	<b>22,399</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	11,239	18,199	9,123	9,259
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	35,165	12,841	54,764	22,437
Gross proceeds from sale of assets	-	11,984	-	759
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>46,404</b>	<b>43,024</b>	<b>63,887</b>	<b>32,455</b>
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	18,901	12,950	43,063	25,349
- to replace existing assets	46,274	36,502	32,553	26,396
Increase (decrease) in reserves	-	14,171	-	(1,822)
Increase (decrease) in investments	182	(3,340)	8,276	4,931
<b>Total applications of capital funding (D)</b>	<b>65,357</b>	<b>60,283</b>	<b>83,892</b>	<b>54,854</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(18,953)</b>	<b>(17,259)</b>	<b>(20,005)</b>	<b>(22,399)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

# Water

## Wai

The Water activity is responsible for supplying potable water to residential, industrial and commercial properties to protect public health and support city growth.

In our urban areas potable water is supplied by means of a piped water supply.

### What we have done

As with prior years Council continues to meet its water quality standards. Overall, eight of the nine performance measures were met.

As was the case in 2021/22, the failed measure is in relation to non-urgent callouts. This has however improved slightly to 5 days 18 hours 8 minutes. Council remains committed to continue working with contractors to improve performance in this area.

During the year \$11.23 million was spent on capital projects including \$7.73 million on the Branhholme water pipe project which will provide a new pipeline from Branhholme to the Doon Street Reservoir – this is still in construction and is expected in to be completed in 2024.

An additional \$0.7 million was spent in delivering the activity compared to 2022. Performance is steady while spend has increased due to increased maintenance costs and capital activity. There has been a significant increase in depreciation as a result of the 2022 revaluation.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
The extent to which the Council's drinking water supply complies with part 4 of the drinking-water standards. (Bacteria compliance criteria)	100%	Achieved <sup>1</sup>	100%	2021/22: Achieved 100% 2020/21: Achieved 100% 2019/20: Achieved 100%
The extent to which the local authority's drinking water complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	Achieved <sup>1</sup>	100%	2021/22: Achieved 100% 2020/21: Achieved 100% 2019/20: Achieved 100%

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
The percentage of real water loss from the Council's networked reticulation system. (Calculated according to the methodology outlined in Water NZ Water Loss Guidelines publication Feb 2010)	Less than 30%	Achieved	18.5%	2021/22: Achieved 9.7% 2020/21: Achieved 9.6% 2019/20: Achieved 9.6%
The median response time for urgent callouts, (from the time the Council receives notification to the time that service personnel reach the site).	4 Hours	Achieved	39 minutes	2021/22: Achieved 25 minutes 2020/21: Achieved 22 minutes 2019/20: Achieved – 16 minutes
The median time to resolve urgent callouts (from the time the Council receives notification to the time that service personnel confirm resolution of the fault or interruption).	24 Hours	Achieved	2 hours and 9 minutes	2021/22: Achieved 1 hour and 26 minutes 2020/21: Achieved 1 hour and 28 minutes 2020/19: Achieved - 1 hour and 17 minutes
Attendance for non-urgent call-outs (from the time that council receives notification to the time that service personnel reach the site)	5 working days	Not achieved <sup>2</sup>	5 days, 18 hours and 8 minutes	2021/22: Not achieved - 5 days, 22 hours and 51 minutes 2020/21: Achieved - 4 days, 22 hours and 31 minutes 2019/20: Not achieved - 5 days, 9 hours and 23 minutes
Resolution of non-urgent call-outs: from the time that the council receives notification to the time that service personnel confirm resolution of the fault or interruption	10 working days	Achieved	6 days, 2 hours and 33 minutes	2021/22: Achieved - 6 days, 4 hours and 14 minutes 2020/21: Achieved - 5 days, 1 hour and 8 minutes 2019/20: Achieved - 6 days, 4 hours and 26 minutes
The total number of complaints received by Council per 1,000 connections about any of the following: - Drinking water clarity - Drinking water taste - Drinking water odour - Drinking water pressure of flow - Continuity of supply - Council's response to any of these issues	<10 in total	Achieved	1.82	2021/22: 2.11 Achieved 2020/21: 0.53 Achieved 2019/20: 0.63 Achieved
The average consumption of drinking water per day per resident within the Invercargill City Council territorial district	Less than 300	Achieved	231 litres/day	2021/22: Achieved – 271 litres/day 2020/21: Achieved - 389 litres/day (Target less than 700 litres/day) 2019/20: Achieved - 431 litres/day (Target less than 700 litres/day)

#### The details

##### 1. Drinking water standards

For the 2022/23 financial year, Lutra have audited Invercargill City Council against the 'Drinking Water Standards for New Zealand 2005, Revised 2018'. This is the last period that Council will be reporting on these standards. In the future, Council will report against the current 'Drinking Water Quality Assurance Rules 2022'.

##### 2. Attendance for Non-Urgent Callouts.

This is a challenging KPI, which can be impacted by staff availability at both Council and contracting partners.

Council and our partner contractors are working to bring down the callout time.

## Significant Capital Works Projects

Note	Project	2022/23 Long-term Plan (\$000)	2022/23 Actual (\$000)
1	Treatment plant renewals	1,013	218
2	Pumping stations renewals	1,706	16
3	Pipe renewals	8,243	10,798

1. Treatment plant renewals - Replacement of UV tubes occurred during the year. Remaining funds were allocated to delivery of the Bluff Hill falling main which has been delayed due to additional design required to offset particularly poor ground conditions.
2. Pumping station renewals – Planned works deferred to future years. Due to condition of the pump stations allowing for additional life of the asset.
3. Pipe renewals - Stage 1 of the Bransholme pipeline 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.

## Invercargill City Council: Funding impact statement for year ended 30 June 2023 for Water

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	8,611	9,009	9,301
Subsidies and grants for operating purposes	300	-	-
Fees and charges	1,595	1,659	2,039
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	23
Local authorities fuel tax, fines, infringements, fees and other receipts	-	-	231
<b>Total operating funding (A)</b>	<b>10,506</b>	<b>10,668</b>	<b>11,594</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	4,627	4,722	5,027
Finance costs	334	387	391
Internal charges and overheads applied	3	3	-
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,964</b>	<b>5,112</b>	<b>5,418</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>5,542</b>	<b>5,556</b>	<b>6,176</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	710	3,710	710
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,378	1,696	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>3,088</b>	<b>5,406</b>	<b>710</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	768	-	7,772
- to replace existing assets	7,862	10,962	3,466
Increase (decrease) in reserves	-	-	(4,352)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>8,630</b>	<b>10,962</b>	<b>6,886</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(5,542)</b>	<b>(5,556)</b>	<b>(6,176)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Stormwater

## Wai tupuhi

The Stormwater activity managed the stormwater network of pipes, open drains and pumping stations for the collections and disposal of stormwater to protect property from flood damage. The Stormwater activity provided a stormwater service to properties in the Invercargill and Bluff urban areas and approximately 47 kilometres of open drains, mostly situated in the Ōtātara area. The activity also managed the tide protection banks around the Stead Street and Cobbe Road (rifle range) as part of the City's flood protection schemes.

### What we have done

The stormwater network performed well throughout the year, and achieved all five performance measures set, an improvement on the previous year.

To provide for climate change resilience, Council with 'shovel ready' funding from MBIE installed approximately 1,700 sheet piles (1km of sheetpile wall) along the Stead Street stopbank and raised and strengthened 2kms of the existing Cobbe Road stopbank.

Costs to the deliver the activity were consistent with the previous year. Depreciation costs have increased as a result of the revaluation.

The Stead Street Stopbank project was completed during the year.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
DIA Performance measure 1 (system adequacy) (a) The number of flooding events that occur in the Invercargill City district	0	Achieved	0	2021/22: Not Achieved – 2 2020/21: Not Achieved – 2 2019/20: Not Achieved – 1
DIA Performance measure 1 (system adequacy) (b) For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to the Council's stormwater system)	0	Achieved	0	2021/22: Achieved – 0 2020/21: Not Achieved - 2 properties flooded as a result of heavy rain 2019/20: Not achieved - 1 property flooded as a result of consistent heavy rain
DIA Performance measure 2 (discharge compliance) Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of: - Abatement notices - Infringement notices	0	Achieved	0	2021/22: Achieved – 0 2020/21: Achieved – 100% compliance 2019/20: Not achieved - 1 enforcement order and 1

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
- Enforcement orders Successful prosecution	0 0 0		0 0 0	conviction for a sewer overflow discharging into stormwater
DIA Performance measure 3 (response times) The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site	<1 hour	Achieved	0	2021/22: Achieved – 21 minutes 2020/21: Achieved - 96% Median response 27 minutes (Target: 1 hour, 90% success) 2019/20: Achieved - 100% Median response 23 minutes (Target: 1 hour, 90% success)
DIA Performance Measure 4 (customer satisfaction) The number of complaints received about the performance of the stormwater system (expressed per 1,000 properties connected to the Council's stormwater system)	<4	Achieved	1.8	2021/22: Not Achieved – 4.2 2020/21: Achieved - 2.47 2019/20: Achieved - 0.86

### Significant Capital Works Projects

Note	Project	2022/23 Long-term Plan (\$000)	2022/23 Actual (\$000)
1	Pipe renewals	3,003	2,988
2	Stead street stop bank	-	2,180

1. Pipe renewals - planned works completed.
2. Stead Street Stop Bank - Remaining proportion of project from 2022 completed this year with only minor works remaining on Airport Avenue.



**Invercargill City Council: Funding impact statement for year ended 30 June 2023 for Stormwater**

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,289	1,349	1,493
Targeted rates	3,867	4,046	4,479
Subsidies and grants for operating purposes	-	-	-
Fees and charges	3	3	10
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	24
Local authorities fuel tax, fines, infringements, fees and other receipts	6	6	31
<b>Total operating funding (A)</b>	<b>5,165</b>	<b>5,404</b>	<b>6,037</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	1,303	1,339	2,343
Finance costs	-	52	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,303</b>	<b>1,391</b>	<b>2,343</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>3,862</b>	<b>4,013</b>	<b>3,694</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	5,320	-	1,044
Development and financial contributions	-	-	-
Increase (decrease) in debt	8,120	(705)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>13,440</b>	<b>(705)</b>	<b>1,044</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	420	232	-
- to replace existing assets	16,882	3,076	5,159
Increase (decrease) in reserves	-	-	(421)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>17,302</b>	<b>3,308</b>	<b>4,738</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(3,862)</b>	<b>(4,013)</b>	<b>(3,694)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Sewerage

## Waikeri

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

### What we have done

Council sewerage network met all of the DIA performance measures for this year. Council will be monitoring response times for the future.

The cost of service has marginally decreased from the prior year. The capital delivery was significantly higher than the previous year, with the majority spent on sewer mains renewals.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
DIA Performance Measure 1 Number of dry weather sewerage overflows per 1,000 properties	Max 4	Achieved	1.37	2021/22: Achieved – 1.06 2020/21: Achieved – 1.12 2019/20: Achieved – 0.59
DIA Performance Measure 2 Compliance with Council's resource consents for discharge from its sewerage system				2021/22: Achieved – 100% compliance 2020/21: Achieved – 100% compliance 2019/20: Achieved – 100% compliance
(a) Number of abatement notices	0	Achieved	0	
(b) Number of infringement notices	0		0	
(c) Number of enforcement orders	0		0	
(d) Number of convictions	0		0	
(e) Council target (all enforcement actions)	0		0	
DIA Performance Measure 3 (fault response times)				
(a) The median response time to attend blockages*	<1 hour	Achieved	37 minutes	2021/22: Achieved – 16 minutes 2020/21: Achieved – 15 minutes 2019/20: Achieved – 18 minutes
(b) The median response time to resolve blockages*	<6 hours	Achieved	1 hour and 1 minute	2021/22: Achieved – 1 hour and 15 minutes 2020/21: Not achieved – 93% compliance, median response time 1 hour

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
				2019/20: Not Achieved – 98% compliance, median response time 1 hour
DIA Performance Measure 4 (customer satisfaction) The number of complaints received about: 1. sewage odour 2. system faults 3. system blockages 4. Council's responsiveness (expressed per 1,000 properties connected to the Council's sewer system)	Max 4	Achieved	2.25 complaints per 1,000 connections	2021/22: Achieved – 3.4 complaints per 1,000 connections <sup>1</sup> 2020/21: Achieved - 2.47 complaints per 1,000 connections 2019/20: Achieved - 1.26 complaints per 1,000 connections

\* These measures are referred to as emergency blockages in the Long Term Plan.

#### Significant Capital Works Projects

Note	Project	2022/23 Long-term Plan (\$000)	2022/23 Actual (\$000)
1	Treatment plant renewals	-	592
2	Pipe renewals	2,297	3,365

1. Treatment plant renewals - Some of the work delayed from the prior year was able to be completed.
2. Pipe renewals - Some of the work delayed from the prior year was able to be progressed including city centre and Kennington.

**Invercargill City Council: Funding impact statement for year ended 30 June 2023 for Sewerage**

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	6,618	6,924	7,162
Subsidies and grants for operating purposes	750	-	60
Fees and charges	952	988	1,234
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	4
Local authorities fuel tax, fines, infringements, fees and other receipts	-	-	9
<b>Total operating funding (A)</b>	<b>8,320</b>	<b>7,912</b>	<b>8,469</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	3,011	3,120	3,519
Finance costs	79	32	-
Internal charges and overheads applied	24	25	-
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,114</b>	<b>3,177</b>	<b>3,519</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>5,206</b>	<b>4,735</b>	<b>4,950</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	570	-	29
Development and financial contributions	-	-	-
Increase (decrease) in debt	(1,833)	(2,197)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(1,263)</b>	<b>(2,197)</b>	<b>29</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	3,943	2,538	4,557
Increase (decrease) in reserves	-	-	422
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>3,943</b>	<b>2,538</b>	<b>4,979</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(5,206)</b>	<b>(4,735)</b>	<b>(4,950)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Roothing Services

## Ratonga rori

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

### What we have done

Nine of the fourteen measures were achieved this year. Two of the areas not achieved were related to risk on the roads. Council continues to work in partnership through Road Safety Southland to help increase safety on the roads.

\$1.5 million more than the previous year was spent to deliver the service. This was due to conditions allowing

additional maintenance on seal and cycleways to be carried out. There has been a significant increase in depreciation as a result of the 2022 revaluation.

\$9 million was spent on capital projects. This was consistent with spend in prior years, principally spent on resurfacing, rehabilitation and road drainage.

### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Enhance our City	Healthy and active residents utilise space, including green space, throughout the City.	Roothing (pavements) contributes to accessibility, via integrated networks of connected roads and footpaths. Safe roads allow freedom of movement for residents including appropriate lighting.	The total number of fatal and serious injuries each year on the network. Footpaths. Streetlighting. Respond to vandalised signs. Traffic signals response.
	Invercargill's business areas are bustling with people, activities and culture.	Roothing provides the vital connections with state highways for the freight task distributing the goods needed for a city and throughout the city.	Unplanned road closures.
		Roothing provides roads to connect people, signs to direct, footpaths for pedestrians, street furniture for streetscape usage. CBD areas have high amenity.	Street lighting. Respond to vandalised signs. Traffic signals response.
Preserve its Character	The building blocks, including water, sanitation and roading, for a safe, friendly city are provided for all members of the community.	Safe roads allow residents to select a mode of transport they wish to use with confidence. Street lighting allows residents to feel safe at night. Wide streets and low traffic allows ease of movement, together with networks resilient and reliable for events.	The total number of fatal and serious injuries each year on the network. Street lighting. Respond to vandalised signs. Traffic signals response.

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Embrace Innovation and Change		Good roading management delivers a core infrastructure in leading the City.	The overall cost per km and vkt of routine maintenance activities, and cost by work category on each road network for the financial year.
	The development of future industry is encouraged.	Street facilities such as visitor signs, streetscape, seating, and car charging offer high value people space and have flexibility to quickly adapt.	Footpaths.
	Technology is used in both existing and new City services.		
	Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.  Invercargill has the 'wow factor' with the right facilities and events to enjoy.	Roading corridor management contributes to make events have safe road and pedestrian access to use.	Requests responded to in five or less business days.

## How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
The number of and change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	Decreasing annually	Not achieved <sup>1</sup>	Two additional crashed reported (17 crashes, including 1 fatality and 17 people with serious injuries)	2021/22: Not Achieved – 15 crashes (4 fatalities, 18 people with serious injuries) 2020/21: Achieved – 13 crashes (1 fatalities, 14 people with serious injuries) 2019/20: Not achieved – 19 crashes (2 fatalities, 17 people with serious injuries)*
Collective risk (crash density) – fatal and serious injury rate per km of road	Decreasing annually	Not achieved <sup>1</sup>	0.039	2021/22: 0.039 <sup>2</sup>
Personal risk – average annual fatal and serious injury crashes per 100 million vehicle-kilometres	Decreasing annually	Achieved	6.24	2021/22: 6.409 <sup>2</sup>
The average quality of ride, on a sealed local road network, measured by smooth travel exposure	Higher than national average: Urban – 84.5% Rural – 95.1%	Achieved	Urban - 85% Rural - 98%	2021/22: Achieved – urban 85%; rural 98% 2020/21: Achieved - urban 90%; rural 98% 2019/20: Achieved - urban 89%; rural 98%
The percentage of the sealed local road network that is resurfaced	> 5.5% (2022)	Achieved	6.6% (2023)	2021/22: Not Achieved – 3.97% 2020/21: Not Achieved - 5.3% (target >6.25%) 2019/20: Not Achieved - 6.10% (target >6.25%)
The percentage of footpaths within the district that fall within the level of service, or service standard for the condition of footpaths as set out in the Asset Management Plan	< 8% in very poor condition	Achieved	1.8% in very poor condition	2021/22: Achieved – 0.5% in a very poor condition 2020/21: Achieved - 0.7% in a very poor condition 2019/20: Achieved - 0.8% in very poor condition

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
The percentage of customer service requests relating to roads and footpaths, to which the territorial authority responds within the time frame specified in the Long-term Plan	75% of requests are responded to in five or less business days	Achieved	83%	2021/22: Achieved – 78% 2020/21: Achieved - 81% 2019/20: Not Achieved - 79%
The number of unplanned road closures and the number of vehicles affected by closures annually	Number of closures <=8 Affected vehicles – to be established	Not achieved <sup>3</sup>	Not measured, data not available	2021/22: Achieved – 6 2020/21: Not Achieved - this measure was not recorded 2019/20: Not Achieved - this measure was not recorded
Proportion of network not available to Class 1 heavy vehicles and 50MAX vehicles	Maintain / Increase proportion	Achieved	Maintained	2021/22: Achieved - maintained
Mean travel times for private motor vehicles on key routes	Maintain stable trend	Not achieved <sup>4</sup>	Not measured, data not available	2021/22: Not Measured 2020/21: N/A – New Measure
The overall cost per km and vkt of routine maintenance activities, and cost by work category on each road network for the financial year	<= Peer Group Average	Not achieved <sup>5</sup>	57%	2021/22: Achieved – 80% 2020/21: Achieved - 66% 2019/20: Not Achieved - 67%
An Invercargill street lighting fault is responded to promptly	> 75% of requests within 2 business days	Achieved	99%	2021/22: Not Achieved – 57% 2020/21: N/A – New Measure
Vandalised signs are promptly responded to and corrective actions commenced	> 85% of requests within 2 business days	Achieved	96%	2021/22: Achieved – 95% 2020/21: Not Achieved - 84% (2019/20: Not Achieved - 71%)
Damaged traffic signals are attended to promptly	> 85% of emergency requests are responded to by attending the site within one hour	Achieved	100%	2021/22: Achieved – 100% 2020/21: Achieved - 100% 2019/20: Achieved - 100%

### The details

- Fatalities and serious crash injuries**  
Sadly, there was an increase in crashes this year with one death and 17 serious injuries on Invercargill roads.

Please note, this result has changed to reflect the data is now expressing the total numbers of crashes, rather than the total number of deaths and serious injuries.
- Change from previous Annual Report**  
At the time the 2021/2022 Annual Report was published, the results were not available. They have since become available and have been included in the 2022/23 Annual Report.
- Unplanned road closures**  
This data is not available, so there has been no measure for this.
- Mean travel times**  
This data is not available, so there has been no measure for this.
- Overall cost per km and vkt of routine maintenance activities.**  
It is difficult to get an accurate assessment and measure for this target as the measure does not account for the fact that urban networks and their needs vary vastly.



Significant Capital Works Projects

Note	Project	2022/23 Long-term Plan (\$000)	2022/23 Actual (\$000)
1	Resurfacing , rehabilitation and drainage renewals	5,376	4,067
2	Footpath renewals	793	909
3	Low cost, low risk capital renewals	1,644	1,956

1. Resurfacing, rehabilitation and drainage renewals – Some work delayed due to limited availability of resource and materials during parts of the year.
2. Footpath renewals - Works was advanced from future years due to capacity availability.
3. Low cost, low risk capital renewals - Planned works undertaken, including Lake Street roundabout and speed management programme.

## Invercargill City Council: Funding impact statement for year ended 30 June 2023 for Rooding Services

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	8,059	8,432	8,637
Targeted rates	-	-	-
Subsidies and grants for operating purposes	3,113	3,184	3,388
Fees and charges	1,399	1,461	1,069
Internal charges and overheads recovered	-	-	-
Interest and dividends from investments	-	-	149
Local authorities fuel tax, fines, infringements, fees and other receipts	354	364	1,022
<b>Total operating funding (A)</b>	<b>12,925</b>	<b>13,441</b>	<b>14,265</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	7,100	7,372	7,820
Finance costs	-	-	-
Internal charges and overheads applied	1	1	36
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>7,101</b>	<b>7,373</b>	<b>7,856</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>5,824</b>	<b>6,068</b>	<b>6,409</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	3,881	4,887	4,364
Development and financial contributions	-	-	-
Increase (decrease) in debt	(1,928)	(1,559)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,953</b>	<b>3,328</b>	<b>4,364</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	1,644
- to replace existing assets	7,777	9,396	7,367
Increase (decrease) in reserves	-	-	1,762
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>7,777</b>	<b>9,396</b>	<b>10,773</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(5,824)</b>	<b>(6,068)</b>	<b>(6,409)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Solid Waste Management

## Para

The Solid Waste Management Activity manages the solid waste services including collection of kerbside recyclables, collection of kerbside landfill rubbish, the Solid Waste Transfer Station (resource recovery), landfill operations, public place and event waste management and minimisation, education, behaviour change and advocacy. The Council collaborated with Southland and Gore District Councils as a shared service called WasteNet Southland.

### What we have done

After two difficult years, Solid Waste has shown improvement this financial year with four of the five performance measures being achieved. While changes from 2021/22 are small, they are promising. Discarded materials rate per person per annum remains similar to 2021/22 measure.

The cost to deliver the activity increased by \$0.8 million. The net cost of service has reduced by \$1.2 million as a

result of increased revenue from the targeted rate. Costs driven by the Emissions Trading Scheme charges have decreased a result of market drops.

There has been an increase in activity in community education space through WasteNet.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior years
Discarded materials rate per person per annum (kgs)	Maintain a regional materials discarded rate of 650kg per person per annum.	Achieved	576.81 kg	2021/22 <sup>1</sup> : Achieved – 569.56kg 2020/21 <sup>1</sup> : Achieved – 613.22kg 2019/20 <sup>1</sup> : Not achieved - 678kg
Monitoring the trends in key material types to landfill (i.e. cleanfill green waste, recyclables)	Trend in kerbside recycling	Increasing trend	Achieved	3,167.66 tonnes
				2021/22: Not Achieved – 3,126 tonnes 2020/21: Achieved - 3,300 tonnes 2019/20: Not achieved - 3,040 tonnes

Measure		Target 2022/23	Achieved	Result 2022/23	Prior years
	Trend in landfill rubbish	Decreasing trend	Achieved	10,811.43 tonnes	2021/22: Not Achieved – 11,143 tonnes 2020/21: Achieved - 10,850 tonnes 2019/20: Not achieved - 11,483 tonnes
	Trend in solid waste to landfill	Decreasing trend	Achieved	23,063.03 tonnes	2021/22: Not Achieved – 23,320 tonnes 2020/21: Not Achieved - 22,333 tonnes 2019/20: Not achieved - 21,329 tonnes
	Trend in diverted material	Increasing trend	Not achieved <sup>2</sup>	8,078.06 tonnes	2021/22: Achieved – 9,147 tonnes 2020/21: Achieved - 10,806 tonnes 2019/20: Not achieved - 8,931 tonnes

#### The details

- Discarded materials rate per person per annum  
A change in methodology and recalculation during 2022/23 showed that the figures stated during 2019/20 (726kgs), 2020/21 (750kgs) and 2021/22 (726kgs) have been reported incorrectly and therefore the KPI was missed. After recalculation, the KPI was achieved in 2020/21 and 2021/22.
- Trend in diverted material  
Overall, less material was generated for clean fill and green waste components, which led to a proportionate decrease in the materials diverted from landfill. This is likely due to the fact that people were undertaking more gardening and renovations during the lockdown periods in 2020/21 and 2021/22 which therefore led to increase in materials diverted during these years.

#### Significant Capital Works Projects

There was no significant capital expenditure within the Solid Waste Management activity for 2022/23.

**Invercargill City Council: Funding impact statement for year ended 30 June 2023 for Solid Waste Management**

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	830	869	1,148
Targeted rates	3,996	4,181	4,190
Subsidies and grants for operating purposes	-	-	-
Fees and charges	5,412	5,753	7,125
Internal charges and overheads recovered	2,293	2,370	1,859
Interest and dividends from investments	-	-	31
Local authorities fuel tax, fines, infringements, fees and other receipts	-	-	947
<b>Total operating funding (A)</b>	<b>12,531</b>	<b>13,173</b>	<b>15,300</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	10,185	10,618	13,399
Finance costs	28	28	78
Internal charges and overheads applied	2,280	2,357	1,857
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>12,493</b>	<b>13,003</b>	<b>15,334</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>38</b>	<b>170</b>	<b>(34)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	32	(93)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>32</b>	<b>(93)</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	70	77	11
Increase (decrease) in reserves	-	-	(45)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>70</b>	<b>77</b>	<b>(34)</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(38)</b>	<b>(170)</b>	<b>34</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# General Services

## Ngā ratonga

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

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

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

### What we have done

There are 61 performance measures attributed to General Services, of which 40 were achieved.

There was a general trend in increase in visitor numbers and satisfaction across many public facing services bouncing back after Covid.

### Significant Capital Works Projects

Note	Project	Area	2022/23 Long-term Plan (\$000)	2022/23 Actual (\$000)
1	Property file digitalisation	Regulatory Services	617	1,589
2	Sandy Point Ski club area erosion protection	Parks and Reserves	257	-
3	Compost area relocation	Parks and Reserves	515	-
4	Anderson House strengthening	Property	309	141
5	Museum building redevelopment	Property	5,326	6,809
6	Civic building renewals	Property	1,544	406
7	Bluff Service Centre building renewals	Property	412	-
8	Housing Care building improvements	Housing Care	1,138	437
9	City Centre Masterplan Streetscape	City Centre	6,652	9,387
10	Business Enhancement Programme (technology)	Corporate Services	-	2,481
11	Splash Palace building renewals	Property	-	306

### Notes

1. Property file digitalisation – Digitalisation work has been condensed into a shorter timeframe and is on track for completion in 2024.
2. Sandy Point Ski club area erosion protection – Planned works deferred to future years.
3. Compost area relocation – Planned works deferred to future years.
4. Anderson House strengthening – Remaining minor works completed.
5. Museum building redevelopment – The design stage of the museum building commenced this year with the construction of the Tisbury storage facility also underway.
6. Civic building renewals - Project was placed on hold to allow a reassessment to take place.
7. Bluff Service Centre building renewals –Planned works deferred to future years.
8. Housing Care building improvements – Design of the creation of new housing units completed during year with construction to commence next year.
9. City Centre Masterplan Streetscape - Stage one of the project was completed this year.
10. Business Enhancement Programme (technology)
11. Splash Palace building renewals – Some of the work delayed from the prior year was able to be completed including renewal of bulkhead, flooring and painting.

**Invercargill City Council: Funding impact statement for year ended 30 June 2023 for General Services**

	Long-term Plan 2021 - 2031 2021/22 \$ 000	Long-term Plan 2021 - 2031 2022/23 \$ 000	Actual 2022/23 \$ 000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	25,906	27,079	29,408
Targeted rates	657	687	730
Subsidies and grants for operating purposes	1,550	1,469	2,944
Fees and charges	15,853	16,451	10,773
Internal charges and overheads recovered	111	114	266
Interest and dividends from investments	5,166	5,272	7,832
Local authorities fuel tax, fines, infringements, fees and other receipts	2,226	2,428	6,998
<b>Total operating funding (A)</b>	<b>51,469</b>	<b>53,500</b>	<b>58,951</b>
<b>Applications of operational funding</b>			
Payment to staff and suppliers	51,086	50,721	54,994
Finance costs	1,806	2,627	2,797
Internal charges and overheads applied	96	98	233
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>52,988</b>	<b>53,446</b>	<b>58,024</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>(1,519)</b>	<b>54</b>	<b>927</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	758	1,332	3,112
Development and financial contributions	-	-	-
Increase (decrease) in debt	28,396	17,891	22,437
Gross proceeds from sale of assets	-	-	759
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>29,154</b>	<b>19,223</b>	<b>26,308</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	17,713	12,605	15,934
- to replace existing assets	9,740	6,489	5,835
Increase (decrease) in reserves	-	-	535
Increase (decrease) in investments	182	183	4,931
<b>Total applications of capital funding (D)</b>	<b>27,635</b>	<b>19,277</b>	<b>27,235</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>1,519</b>	<b>(54)</b>	<b>(927)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Democratic Process

### Mana whakahaere

The Democratic Process activity ensured that the community had the opportunity to be involved in decision-making and understood how the process works. It also supported elected members and their processes to ensure that decision-making was open, transparent, effective and democratically accountable.

#### What we have done

The Community Wellbeing Fund supported 53 activities and events, including 12 multiyear grants uplifted across the year.

Community satisfaction with opportunities for involvement in decision making was well below target at 18%, at a similar level to the previous year.

The Democratic Process activity net cost of service was \$0.4 million better than planned as a result of unplanned revenue.

#### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Preserve its character	Strong, collaborative leadership of the City is demonstrated.	The Democratic Process Activity supports elected representatives with training and information. This enables representatives to make robust decisions to implement the Local Government Act incorporating the widespread views of the community.	Council's decision-making processes meet community expectations for opportunities to participate.
Embrace innovation and change	Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.	The Democratic Process Activity provides opportunities for the community to share its views with Council.	The community is well informed about and contributes to Council's plans and progress.

#### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
Percentage of residents' survey respondents who provide a rating of satisfied or greater with the opportunities Council provides for community involvement in decision-making.	50%	Not achieved <sup>1</sup>	19%	2021/22: Not Achieved – 18% 2020/21: Achieved - 52% 2019/20: Not Available
Number of activities or events supported by the Community Wellbeing Fund	25	Achieved	53	2021/22: Achieved - 55 2020/21: N/A – New Measure

#### The details

- The methodology for surveying the public has changed in 2021/22 which has impacted this result. This result is likely to have been influenced by Council media coverage and is in line with national dissatisfaction trends for the democratic process at Councils. Further questions will be asked in the next financial year to find out more about what is driving people's dissatisfaction.



## Regulatory Services

### Ratonga Ture

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

The Group balances acceptable community behaviour with the community's expectation for enforcement, for example, balancing the rights of dog ownership against barking dog nuisance.

### What we have done

In two areas, building consents and non-notified resource consents not requiring a hearing, the activity was not able to meet this target. The food and alcohol applications are continuing to meet their timeframes 100% of the time.

The Regulatory Services activity also worked to identify earthquake prone buildings. This work was completed by the legislative deadline.

The net cost of service for the year was \$0.9 million higher than planned this reflects the higher costs incurred to deliver the service principally the use of consultants to provide the necessary technical and processing support the building and planning areas.

### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Enhance our City	Invercargill's business areas are bustling with people, activities and culture.	Development is promoted that provides for effective and sustained economic growth while meeting minimum environmental and health standards.	Development applications are assessed against our regulatory responsibilities.
Preserve its character	<p>The building blocks for a safe, friendly city are provided for all members of the community.</p> <p>Invercargill is celebrated for preserving its heritage character.</p>	<p>The community's compliance with legislation and Council policies and bylaws enables us to live closely together in a safe environment.</p> <p>Opportunities are provided for development across the District.</p>	Significant heritage is protected within Invercargill.

## How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
We process building, resource consent, food and alcohol applications in accordance with the quality manual and statutory timeframes	100% Building consents are issued within 20 working days of receipt	Not achieved <sup>1</sup>	98%	2021/22: Not Achieved – 99% 2020/21: Achieved – 100% 2019/20: Not achieved – 58%
	100% Non-notified resource consents not requiring a hearing are issued within 20 working days of receipt	Not achieved <sup>2</sup>	96%	2021/22: Not Achieved – 85% 2020/21: Achieved – 100% 2019/20: Not achieved – 94%
	100% food applications are issued within 20 working days of receipt	Achieved	100%	2021/22: Achieved – 100% 2020/21: Achieved – 100% 2019/20: Achieved – 100%
	100% alcohol applications not requiring a hearing are issued within 30 working days of receipt	Achieved	100%	2021/22: Achieved – 100% 2020/21: Achieved – 100% 2019/20: Achieved – 100%
We identify potentially earthquake-prone buildings	Priority, potentially earthquake-prone buildings all identified by 1 July 2022	Achieved <sup>3</sup>	100%	2021/22: Achieved – 100% 2020/21: Achieved 100% 2019/20: Achieved 100%
We promote incentives to owners of heritage buildings, especially when they undertake earthquake strengthening	Earthquake-prone buildings incentives are developed and implemented	Achieved	Achieved	2021/22: Achieved 2020/21: Achieved 2019/20: Achieved

## The details

## 1. Building consents

This is a regulatory measure, which was not achieved after a small number of consents went over time early in the year. Council continues to strive to deliver the expected level of service for our Building Consents. Processes continue to be communicated to all staff and contractors.

## 2. Non-notified resource consents

Whilst Council has been unable to meet the target of 100%, there have been significant improvements since last financial year and we are well ahead of the national average.

## 3. Earthquake prone building

All of the priority buildings have now been identified. This KPI is to be withdrawn in the next Long-term Plan.

# Parks and Recreation

## Ngā Papa Rēhia

The Parks and Recreation Activity provides settings and venues for recreation and leisure activities within the Invercargill area and also provided burial and cremation services. Trees and open space enhance the amenity of the City, making it a pleasant place to live and attractive to visitors.

### What we have done

The Parks and Recreation Activity has been performing well this financial year, meeting 14 of its 16 performance measures. A higher number of health and safety issues in quarter one and four being completed outside of the reporting timeframe, saw the activity miss its target. While park visitation remains strong, visitor numbers were just below last year's figures.

The Parks and Recreation activity net cost of service for the year was a \$0.4 million surplus. This reflects additional revenue from timber sales from the Sandy Point Forestry and careful expense management.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior years
Queens Park is accredited as a "Garden of National Significance"	Retain accreditation	Achieved	Achieved	2021/22: Achieved 2020/21: Achieved 2019/20: Achieved
Percentage of customers satisfied with parks identified through annual user surveys	Maintained or increasing	Achieved	80%	2021/22: Achieved – 80% 2020/21: N/A – New Measure

Measure		Target 2022/23	Achieved	Result 2022/23	Prior years
Maintain the area of actively maintained parks and recreational land at or above the national median	Area of actively maintained parkland (hectares per 1000 residents)	24.4ha	Achieved	24.4 ha	2021/22: Achieved – 24.4ha 2020/21: N/A – New Measure
	Including Premier Parks (i.e. Queens Park, Anderson House, Otepunī Gardens)	112ha	Achieved	112 ha	2021/22: Achieved – 112 ha 2020/21: N/A – New Measure
	Area of natural parkland (hectares per 1000 residents)	27.9ha	Achieved	27.9 ha	2021/22: Achieved – 27.9 ha 2020/21: N/A – New Measure
	Area of Sports Parks (hectares per 1000 residents)	2.5ha	Achieved	2.5 ha	2021/22: Achieved – 2.5 ha 2020/21: N/A – New Measure
	Grass fields (total)	105.6ha	Achieved	105.6 ha	2021/22: Achieved – 105.6 ha 2020/21: N/A – New Measure
	Non-grass sports surfaces (total)	2.1ha	Achieved	2.1 ha	2021/22: Achieved – 2.1 ha 2020/21: N/A – New Measure
	Number of Playgrounds (per 1000 children)	6.8	Achieved	6.8	2021/22: Achieved – 7.2 2020/21: N/A – New Measure
	Number of street trees (approximate number per 1000 residents).	Maintain (2019/20 provision 97)	Achieved	109	2021/22: Achieved - 109 2020/21: N/A – New Measure
	Gardens/Horticultural planted beds (m <sup>2</sup> per 1000 residents)	4,701m <sup>2</sup>	Achieved	4,701m <sup>2</sup>	2021/22: Achieved – 4,701m <sup>2</sup> 2020/21: N/A – New Measure
	Grass Mowing (hectares per 1000 residents)	8.1ha	Achieved	8.1 ha	2021/22: Achieved – 8.1 ha 2020/21: N/A – New Measure
	Trails (km per 1000 residents)	Maintain	Achieved	700.4 m	2021/22: Achieved – 700.4 m 2020/21: N/A – New Measure
	Percentage of health and safety complaints are investigated and mitigated where possible	100%	Not achieved <sup>1</sup>	95%	2021/22: Achieved – 100% 2020/21: N/A – New Measure
	Community groups are working with Council to implement pest control	Maintained or increasing	Achieved	3	2021/22: Achieved - 4 2020/21: N/A – New Measure

Measure		Target 2022/23	Achieved	Result 2022/23	Prior years
Number of visitors identified through annual user surveys	Visitor counters are at access points to monitor users of target reserves	Increasing use	Not achieved <sup>2</sup>	939,291	2021/22: Not Achieved – 967,869 2020/21: Achieved (1.026m) 2019/20: Achieved

#### The details

1. Health and Safety complaints  
All health and safety complaints received have been completed. However, a number of complaints in quarters one and four were completed outside of the reporting timeframe, therefore resulting in a missed target.
2. Number of visitors to parks and reserves  
Although slightly lower than 2021/22 levels, visitation to parks and reserves remains strong. This was the second year visitation was measured and the team continues to work to improve data collection and accuracy.

Please note, this measure was incorrectly stated in the Long-term Plan as a new measure. It has also been corrected to note this is a total number of visitors, not a per population figure.

# Libraries

## Ngā Whare Pukapuka

The Libraries Activity supports and encourages lifelong learning, digital literacy and reading across all ages and abilities. It does this by offering a welcoming and innovative library service, including spaces for community participation and social connections. The activity collects, preserves and guides access to quality information and also provided opportunities to participate in the online world.

### What we have done

The activity continues to maintain a current collection. While the target of 515,000 visitors to the libraries was not reached, Council saw a 4.9% increase on the previous year. This has been a nationwide trend reflecting a slow return to pre-Covid numbers. Factors include reduced use of library internet/ Wi-Fi and some people still having a fear of visiting crowded public spaces.

While visitor numbers rebounded, revenue from the activity was lower than expected. During the year the activity ceased late fines for books which has also contributed to the reduction in revenue.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
Percentage of collection published in the past 5 years (excludes heritage collections)	>60%	Achieved	63%	2021/22: Achieved – 60.5% 2020/21: N/A New Measure
Percentage of library customers who rate the library collections as satisfactory or greater in annual residents' survey	>85%	Not achieved <sup>1</sup>	84%	2021/22: Achieved – 87% 2020/21: N/A New Measure
Number of visits per year	515,000	Not achieved <sup>2</sup>	485,535	2021/22: Not Achieved – 462,647 2020/21: Not achieved - 459,429 2019/20: Not achieved - 442,988

### The details

1. Customer satisfaction with the library  
While satisfaction amongst library users trended upwards during 2022/23, the 85% target was missed by one percent.
2. Library visitor numbers  
There continues to be a nationwide trend reflecting a slow return to pre-Covid numbers. While the target was not reached, visitor numbers have increased by 4.9% on the previous year.

## Aquatic Services

### Ngā puna kaukau

The Aquatic Services activity provides facilities for the health, wellbeing and enjoyment of the community and provided a place where people can learn to swim and learn water safety. The facilities also enabled a range of water sports to be practiced and enjoyed and attracted events to the city.

#### What we have done

The activity delivered a strong performance, meeting three of its four performance measures. Fewer interruptions to services saw the number of visitors exceeded last year and are on their way to reaching pre-COVID levels.

Operating expenses have increased in line with increased revenue in the retail areas which naturally requires a corresponding increase in inventory to support it.

Income from Aquatic Services was lower than anticipated in the previous LTP largely due to the effects from COVID. Revenue has still increased on previous years as we move away from the effects of the pandemic.

#### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Enhance our City	Healthy and active residents utilise space, including green space, throughout the city.	The Pools Activity provides a safe, fun environment where people can enjoy a diverse range of sport, recreation and leisure opportunities.	Splash Palace is affordable and well utilised.
Preserve its character	The building blocks for a safe, friendly city is provided for all members of the community.	The Pools Activity provides a range of learn-to-swim, fitness and other water based learning and recreation activities that cater for all members of the community.	
	Strong, collaborative leadership of the City is demonstrated.	The Pools Activity works together with the Invercargill Licensing Trust and the ILT Foundation in providing free Learn to Swim programmes.	Splash Palace provides accessible, quality learning opportunities.
Embrace innovation and change	Visitors to Invercargill give positive feedback and have great experiences.	The Pools Activity provides the only 50 metre swimming pool and hydroslide in the Southland region.	Splash Palace is affordable and well utilised.



## How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
Number of visits per head of (Invercargill City) population	>6.5	Achieved	6.6 visits	2021/22: Not Achieved – 4.57 visits 2020/21: Achieved - 6.7 visits 2019/20: Achieved - 6.7 visits
User Satisfaction Survey shows 85% or more rate the overall quality as satisfactory or above	85%	Not achieved <sup>1</sup>	67%	2021/22: Not Achieved – 74% 2020/21: N/A New Measure
Time when a minimum of four 25 metre public lanes are available for swimming	95%	Achieved	98%	2021/22: Not Achieved – 88% 2020/21: Achieved - 99% 2019/20: Achieved - 94%
Time pools are kept within operating guidelines of the New Zealand Pool Water Standards NZS5826:2010	100%	Achieved	100%	2021/22: Achieved – 100% 2020/21: N/A – New Measure

## The details

1. Pool satisfaction from resident survey.  
The survey showed that users believe Splash Palace is a good asset to our community, however admission cost was an issue. This is not surprising as the cost of living is high across all household groups. The need for more maintenance and upgrades was also highlighted in the feedback. Further questions will be asked in quarter two of 2023/24 to find out more about what is driving people's dissatisfaction.

## Arts, Culture and Heritage

### Ngā Toi, te Ahurea, me ngā Taonga

The Arts, Culture and Heritage Activity supports the access to, and preservation of, our cultural assets for our community now and into the future. This is primarily focused on Invercargill City, yet also extended in to the Southland region, encompassing funding, governance representation, management and support of entities providing arts, culture and heritage activities and the direct delivery of services through He Waka Tuia.

#### What we have done

2022/23 has been a successful year for He Waka Tuia, with visitor numbers increasing significantly from last year. There were fifteen exhibitions during the year at He Waka Tuia and offsite locations. However, similar to last year, satisfaction levels did not meet the target.

During the year Project 1225 was commenced which will provide the activity with a new purpose built Storage Facility at Tisbury to house the collection and a new museum Te Unua Museum of Southland. During the year \$6.8 million of capital expenditure was incurred.

The overall net cost cost of delivering the activity was consistent with plan.

#### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Enhance our City	Invercargill's business areas are bustling with people, activities and culture.	The Arts, Culture and Heritage Activity actively engages with communities, promoting a range of opportunities that enable people to access, learn from, and embrace the city's heritage and culture.	Number of visitors per year. Customer satisfaction rating is satisfactory or above.
Preserve its character	Invercargill is celebrated for preserving its heritage character.		

#### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
He Waka Tuia - Number of visits	14,000	Achieved	18,553	2021/22: Not Achieved – 7,875 2020/21: N/A New Measure
He Waka Tuia – Customer satisfaction rating is satisfactory or above	7-8 <sup>2</sup>	Not Achieved <sup>1</sup>	17%	2021/22: Not Achieved – 19% 2020/21: N/A New Measure

#### The details

1. He Waka Tuia satisfaction rating from residents' survey. Satisfaction has been measured in percentage rather than out of 10. The target equals to 70-80%. The overall result is reflective of the transitional nature of the facility and public expectation of the facility. Future work will be done to understand the reasons behind the residents' dissatisfaction with the facility.

# Venue and Event Services

## Ngā wāhi ratonga

The Venue and Event Services Activity provides quality venues, events services, and visitor experiences for the well-being and enjoyment of the community. The venues are places where people can enjoy cultural, social, sporting and recreational activities. The venues portfolio includes The Civic Theatre, The Scottish Hall and Rugby Park as well the operating the Invercargill Ticketek ticketing service.

### What we have done

The lingering effects of COVID-19 has affected the Council venues the most. The community hesitation to stage events in the first two quarters and a reduced available footprint for community hires due to the vaccination clinic taking up the first floor of the Civic Theatre meant the community events target was not achieved.

The ongoing limitations with hiring out Rugby Park as well as its current state resulted in its KPIs not being achieved.

While six points above last year's result, customer satisfaction with venues and events services was well below target.

The net cost of delivering the activity was \$100,000 higher than planned this was principally due to additional staff resourcing.

### What we agreed with the Community

Community Outcome	Council's Role	How the Activity Contributes	Customer Level of Service
Enhance our City	Invercargill's business areas are bustling with people, activities and culture.	The Venues and Event Services Activity operates and markets quality event venues, ensuring promotion of the most appropriate venues for events, attracting touring shows and events and enabling local productions and events to be undertaken.	Increase public use of venue services through the attraction and support for a range of community events through to touring shows and performances. Number of visitors per years. Customer satisfaction rating is satisfactory or above.

### How did we measure up?

Measure		Target 2022/23	Achieved	Result 2022/23	Prior Years
Increase public use of venue services through the attraction and support for a range of community events through to touring shows and performances	Auditorium	> 55 bookings	Achieved	60	2021/22: Achieved – 71 bookings 2020/21 – 50 bookings 2019/20 – 40 bookings
		> 28% occupancy rate	Achieved	30%	2021/22: Not Achieved – 21% 2020/21 – 26% 2019/20 – 25%
	Victoria and Drawing Rooms	> 70 bookings	Not Achieved <sup>1</sup>	52	2021/22: Not Achieved – 1 booking 2020/21 – 69 bookings 2019/20 – 56 bookings

Measure		Target 2022/23	Achieved	Result 2022/23	Prior Years
		>11% occupancy rate	Achieved	62%	2021/22: Achieved – 100% 2020/21 – 45% 2019/20 – 10%
	Increasing public awareness and use of the Civic Theatre complex and its range of facilities	> 10 regional events	Achieved	36	2021/22: Achieved - 36 2020/21: N/A New Measure
		>6 special interest events	Achieved	13	2021/22: Achieved - 17 2020/21: N/A – New Measure
		>35 community events	Not Achieved <sup>2</sup>	28	2021/22: Achieved - 40 2020/21: N/A – New Measure
	Expanding the use and awareness of the Scottish Hall as a venue for meetings and a range of social and cultural experiences	>40 bookings	Achieved	115	2021/22: Achieved – 58 booking 2020/21 – 39 bookings 2019/20 – 38 bookings
		>18% occupancy rate	Achieved	33%	2021/22: Achieved – 19% 2020/21 – 17% 2019/20 – 21%
		>10 special interest events	Achieved	46	2021/22: Achieved - 26 2020/21: N/A – New Measure
		>30 community events	Achieved	52	2021/22: Achieved - 35 2020/21: N/A – New Measure
	Expanding the use and awareness of the Rugby Park as a venue for meetings and a range of social, cultural and sporting experiences	>25 bookings	Not Achieved <sup>3</sup>	17	2021/22: Not Achieved – 23 bookings 2020/21 – 13 bookings 2019/20 – 15 bookings
		>8% occupancy rate	Not Achieved <sup>3</sup>	7%	2021/22: Not Achieved – 7% 2020/21 – 4% 2019/20 – 5%
		>13 regional events	Not Achieved <sup>3</sup>	9	2021/22: Achieved - 7 2020/21: N/A – New Measure
		>12 community events	Not Achieved <sup>3</sup>	5	2021/22: Not Achieved - 9 2020/21: N/A – New Measure
	Number of visits per head of Invercargill City population	0.4	Achieved	1.5 Vph 149% (80,648 Visits)	2021/22: Achieved – 1.6 vph 158% (89,970 visits) 2020/21: N/A New Measure
	Percentage of Venues and Events Services customers (hirers and patrons) who rate the experience or the venue as good or very good	>80%	Not Achieved <sup>4</sup>	44%	2021/22: Not Achieved – 38% 2020/21: N/A New Measure

#### The details

1. Victoria and Drawing Rooms  
The Vaccination Clinic, which was only counted as one booking, ended in December 2022. While performance in Quarters 3 and 4 has been strong, the target was not able to be met.
2. Public awareness and use of the Civic Theatre complex  
The result was impacted partly by Covid-19 measures and community's hesitation to stage events in the first two quarters, but also less community events being organised by the Vaccination Clinic.
3. Rugby Park  
Limited opportunities to hire beyond core hireage to rugby until improvements undertaken to the venue.  
  
Note: the number of regional and community event were reported incorrectly in 2021/22, due to a calculation error. This has now been rectified. Regional events were previously incorrectly reported as 23 (instead of 7) and community events as 3 (instead of 9).
4. Satisfaction rating from residents' survey.  
Satisfaction is slightly above 2021/22 levels, but still below target. The result does not include those hiring facilities which will be a focus in future years.

# Public Transport

## Ngā waka

The Public Transport Activity manages regional public transport for Southland under its delegation from Environment Southland. The Public Transport Activity includes the bus service and the discounted travel taxi or private hire voucher system provided under the Total Mobility Scheme. By providing public transport, Council ensures that people have a choice for how they access work, education, social and health facilities.

### What we have done

While they are yet to reach pre-Covid levels, passenger numbers on buses saw an increase on 2021/22 figures. Satisfaction on price is at 64% which is considerably higher than satisfaction on quality, at 40%. Both are below target. The Total Mobility Scheme continues to be operated, with usage increasing among the more vulnerable members of the community.

During the year the government announced additional subsidies for public transport which has resulted in additional revenue for the activity with a net cost of service surplus for the year of \$0.08 million.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
Total public transport boardings	Year on Year increase	Achieved	141,837	2021/22: Not Achieved – 109,471 2020/21: Not Achieved - 145,586 2019/20: Not Achieved - 148,349
Customer satisfaction rating for quality is satisfactory or above	70%	Not Achieved <sup>1</sup>	40%	2021/22: Not Achieved – 55% 2020/21: N/A New Measure
Customer satisfaction with price is satisfactory or above	80%	Not Achieved <sup>1</sup>	64%	2021/22: Not Achieved – 23% 2020/21: Not Achieved - 80% (target 82%) 2019/20: Achieved - 88%
Council administers and supports the Total Mobility scheme.	Total Mobility Scheme is administered	Achieved	Achieved	2021/22: Achieved 2020/21: Achieved 2019/20: Achieved

### The details

1. Satisfaction ratings from residents' survey.  
In 2021/22, a single question relating to bus services (cost and quality) was asked. In 2022/23, a separate question was asked on cost and quality, respectively.

The supplementary bus user survey conducted in December 2022, showed 71.3% scoring 7 (of 10) for overall satisfaction with quality and 59.4% scoring 7 (of 10) for satisfaction with price. Council will explore integrating these survey methodologies in the future.

# Public Toilets

## Wharepaku Tūmatanui

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

### What we have done

The public toilets in the community have met their target of remaining operational 95 percent of the time.

The net cost of service was better than planned as a result of lower than planned repairs and maintenance.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior years
Public toilets are operational 95% of open hours (which is 24 hours per day)	95%	Achieved	95%	2021/22: Achieved – 95% 2020/21: Achieved – 95% 2019/20: Not Achieved - 94%



# Housing Care

## Ngā whare

The Housing Care activity of the Council provides adequate affordable housing for the elderly, disabled and those on low fixed incomes that meet Council's entry criteria. Council achieved this through the ownership of 21 complexes providing 215 units in Invercargill and Bluff.

### What we have done

Council's housing units continue to be occupied in excess of the 95% target.

This year there has been one urgent request for service which was actioned within the 24 hour period. Of the non-urgent requests for service, 99% of Council remedial actions were in place within five days. Approximately five requests took longer than the 5 days.

The net cost of service for this activity was \$0.2 million higher than planned principally due to increased depreciation as a result of the 2022 asset revaluation.

During the year design of 4 new units at the Stirrat Street complex was completed. Since 30 June 2023 construction has begun.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior years
Units are occupied 95% of the time	95%	Achieved	98%	2021/22: Achieved – 98% 2020/21: N/A – New Measure
Requests for service are responded to and remedial action in place: - Urgent	24 hours	Achieved	100% completed within 24 hours	2021/22: Not Achieved – 80% completed within 24 hours 2020/21: N/A – New Measure
Requests for service are responded to and remedial action in place: - Non-urgent	5 days	Not Achieved <sup>1</sup>	99% completed within 5 days	2021/22: Not Achieved – 99% completed within 5 days 2020/21: N/A – New Measure

### The details

- Non-urgent requests for service  
There were 347 requests which were responded to within 1 day, 20 within 2-5 days, and 5 which were greater than 5 days. Staff on leave delayed response to non-urgent information requests and contractor engagement delayed response on one service request.

# Investment

## Ngā mahi haumi

The Investment activity includes all of the investing activities of Council. These include the management of investment property, monitoring and reviewing returns on its subsidiaries such as ICHL and financial investments in term deposits.

### What we have done

This financial year, lease rates on investment property were below the market rate target as a result of community rates being provided from within the Investment portfolio. Investment revenue and finance expense variances were driven by the timing of when borrowings and investments movements are made, combined with increasing interest rates. This resulted in a net surplus from the activity which was \$1.8 million better than planned.

### What we agreed with the Community

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

### How did we measure up?

Measure	Target 2022/23	Achieved	Result 2022/23	Prior Years
All properties, excluding those prepared, are leased	95%	Achieved	95%	2021/22: Not Achieved – 90% 2020/21: N/A New Measure
Lease agreements are current at market rental levels	100%	Not Achieved <sup>1</sup>	93%	2021/22: Not Achieved – 89% 2020/21: N/A New Measure
Net rate of return	> Market interest rate (historic and current)	Not Achieved <sup>2</sup>	5.37%	2021/22: Achieved – 5.85% 2020/21: Achieved - 6.04% 2019/20: Achieved

### The details

- Number of properties leased and at current market levels.  
The Investment Property portfolio was reconfigured, with 3-waters land being removed and reducing the number of properties with leases available. There are 43 total leases with 3 leases at Community rate.
- Net rate of return  
The current level of inflation resulted in a higher than anticipated 90 day bank rate at 30 June 2023 (5.71%) against some leases with lengthy periods of rental review.

## Support for External Organisations

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

Note	Support for External Organisations	Long-term Plan Community outcome	Contribution towards outcomes	Allocated level of financial support 2022/23 \$000	Actual level of financial support 2022/23 \$000
1	Bluff Indoor Pool Trust	Enhance our City	The Trust actively promotes the use of the Bluff Community Pool for recreation, fitness and to maintaining a healthy lifestyle. The pool is used by two local primary schools to undertake their swimming curriculum.	120	120
2	Bluff Maritime Museum Trust (Council Controlled Organisation)	Enhance our City Preserve its character	Bluff Maritime Museum Trust operates the Bluff Maritime Museum. The museum is preeminent institution in Murihiku Southland, promoting the area's maritime history as well as the social history of the wider Bluff community. In addition through the collection policy of the Bluff Maritime Museum, the facility is also the local social history repository, working in conjunction with the Southland Museum and Art Gallery.	20	20
3	Emergency Management Southland	Enhance our City Preserve its character Embrace innovation and change	Emergency Management Southland delivers civil defence and emergency management activities and training to reduce the risk to people and property as well as reduce the cost of recovering from a disaster.	417	444
4	Great South (Council Controlled Organisation)	Enhance our City Preserve its character Embrace innovation and change	Committed to driving economic, social, and cultural growth, Great South has a clear mandate to leverage opportunities for Southland in the areas of economic development, business development services, tourism and events.  Great South provides a unified voice for the region, establishes a strong platform for regional success and is taking strides towards the region's economic recovery and its vision of even better lives through sustainable development.	1,678	1,649
5	He Waka Tuia (Awhi Rito)	Enhance our City Preserve its character	Following the finalisation of the 2021-2031 Long-term Plan, this funding is now managed through the Arts, Culture and Heritage activity.	380	See page 71
6	Invercargill Public Art Gallery (IPAG) Trust	Enhance our City Preserve its character	IPAG operate and care for the fine art collection, as well as implement a full calendar of exhibitions and accompanying public programming at He Waka Tuia.	323	314
7	Southland Indoor Leisure Centre Charitable Trust (SILCCT)	Enhance our City Preserve its character	SILCCT is responsible for the maintenance of ILT Stadium Southland. The ILT Stadium Southland is an energetic hub within the Invercargill community which attracts thousands of sports and community users every week for various activities including cycling, netball, tennis, volleyball, basketball and Clip n	700	700

Our Activities – Support for External Organisations

Note	Support for External Organisations	Long-term Plan Community outcome	Contribution towards outcomes	Allocated level of financial support 2022/23 \$000	Actual level of financial support 2022/23 \$000
			Climb. The stadium provides a warm, safe environment for many sporting codes, a home to many regional sports bodies, allowing collaboration that may not be possible otherwise and access to a multitude of cultural, arts and sporting events that could not be hosted anywhere else in Southland		
8	Southland Regional Heritage Committee	Enhance our City Preserve its character Embrace Innovation and Change	SRHC administers grant money to appropriate organisations within the Southland Province, who meet the requirements of promoting and enhancing the heritage of the Southland Community.	1,038	1,003
9	Southland Youth One Stop Shop Trust	Enhance our City	Southland Youth One Stop Shop support rangatahi in Murihiku Southland by providing community-based health and wellbeing services that are easily accessible, provide holistic, integrated care and are experts in youth development.	27	30
10	Te Ao Marama Inc.	Enhance our City Preserve its character Embrace innovation and change	Provision of Mana Whenua RMA & LGA Services.	152	108
11	Southland Museum and Art Gallery Trust	Enhance our City Preserve its character	The Trusts role includes support and grow our relationships with Mana Whenua; Advocate for the collections and the organisations that exhibit them; Ensure a balanced approach between preservation/ conservation and accessibility to the collection, Enhance the collection through strategic acquisition; rationalisation and repatriation in order to ensure an authentic, relevant and comprehensive reflection of Southland, its people and its stories; Promote the collection and work cooperatively with the sector to encourage public display and access.	20	20
12	Active Southland	Enhance our City Preserve its character Embrace innovation and change	Active Southland's role is to support and encourage all Southlanders to lead active lives. The Spaces and Places strategy builds a framework for Southland facilities and spaces for play, recreational and sporting needs, now and in the future. The intention of the framework is to assist decision making for Southlanders to have equitable access, quality experiences, and be more active for greater wellbeing.	40	40
13	Saving Grace (IC2 Trust)	Enhance our City Preserve its character Embrace innovation and change	The building at 139 Grace Street, South Invercargill is to be renovated and become a community venue for everyone. The venue will provide a range of courses, activities, events and services, that help and assist people of all ethnicities, ages, abilities and genders to grow, feel at home and be their best mentally, physically, socially and with purpose for their lives.	100	-

## Notes

### 1 Bluff Indoor Pool Trust

Funding was utilised to enable the Bluff pool to operate. The Trust reported an improved performance, with sales increasing to \$20,000. The Trust has also conducted extensive fundraising to upgrade the pool heating system. This work will taking place during 2023/24.

### 2 Bluff Maritime Museum Trust

Council contributed \$20,000 towards the \$126,000 costs for the year. 3,884 people benefited from activity. Page 88 provides further information on the Bluff Maritime Museum Trust.

### 3 Emergency Management Southland

Council contributes 28.27% of the total funding for Emergency Management Southland. All Southlanders benefit from the work of Emergency Southland. The funding was utilised towards the Alpine Fault 8 project fixed term role, projects such as website update, a new survey and a push notification, operational costs and to build back the reserves, which provides instant access to funds for an emergency response. There is an underspend due to a project commencing during 2022/23 which will be invoiced during 2023/24.

Emergency Management Southland held 26 emergency coordination centre courses this financial year. The AF8 programme continues to operate overseen by EMS for the six South Island emergency management groups. This year, the AF8 roadshow was completed taking information, preparedness messaging around the South Island, visiting Te Anau, Tuatapere and Winton.

### 4 Great South

Page 90 provides further information.

### 5 He Waka Tuia

Funding was allocated through activity budget.

### 6 Invercargill Public Art Gallery

\$314,947.65 was spent on salaries, administration, digitisation, public programming and a social history curator. Fifteen exhibitions were organised during the year at He Waka Tuia and offsite, at Art Attic, Invercargill Central, and Whare Taupua. Limited restrictions and interruptions saw 20,672 visitors to exhibitions and events both onsite at He Waka Tuia and offsite through the financial year.

The Trust have returned \$45,563 from 2021/22.

### 7 Southland Indoor Leisure Centre Trust

\$197,724 was utilised to fund maintenance of Stadium Southland. The remainder of the \$700,000 allocated was utilised for supporting the operation of the Stadium.

Some maintenance which was planned to the velodrome had to be delayed as a result of specialist contractors being unavailable.

Approximately 300,000 people visit the Stadium over the year. Over 80 events were held at the facility including The Wiggles Tour, various festivals, Gymnastics NZ Championships and the annual Christmas Variety Show.

### 8 Southland Regional Heritage Committee

The funding allocated is based on the number of rateable properties and can vary to plan as a result of changes to the rating base and the impact of inflation. The Committee allocated grants in 2022/2023 of \$1,510,170, including \$1,244,661 towards the Southland Museum and Art Gallery collection and cataloguing, \$198,002 for cataloguing the Gore District Council collection and \$67,507 discretionary grants to support Te Hikoi, Bluff Maritime Museum, Rakiura Museum, Heritage South Heritage Month and other community related heritage projects.

### 9 Southland One Stop Shop Trust

The funding was utilised to pay for the rent of their premises (noting inflation adjustment) under an agreement which continues to 2027/28.

812 young people were supported with 3,533 clinical appointment which included GP visits and mental health support. 161 young people received 2,174 mentoring and advocacy sessions.

### 10 Te Ao Marama Inc.

Te Ao Marama have supported a range of mahi within the Invercargill District. This included input into a range of Parks and Recreation projects and activities such as the Sandy Point Masterplan and Consenting and Environment activities such as spatial planning work as part of the 2Teg work stream.

### 11 Southland Museum and Art Gallery Trust

This funding was utilised for the administration of the Trust.

**12 Active Southland**

Active Southland coordinates the Spaces and Places Strategy for the region. The funding was used to support two full-time equivalent roles, a Spaces and Places Lead and a data Coordinator. During the year, the team has worked on completing a review of the strategy, Waverly Hub Exploration, scoping a Sportsfield Strategy, Bowling Clubs project, Community Pools network and supporting RSOs and Councils with Sportseye data.

Expenditure was slightly above budget due to an increase in staff costs and additional work required for the Sportsfield Strategy. Active Southland sought additional funding for this strategy from local stakeholders and additional funding from Sport New Zealand towards Spaces and Places.

**13 Saving Grace (IC2 Trust)**

\$100,000 is allocated to the Trust for the Saving Grace project once it commences. It has not yet commenced so this funding allocation has been moved forward to 2023/24.

## Community funds

Fund	Amount available 2022/2023 \$000	Amount allocated 2022/2023 \$000
Community Wellbeing Fund	565	565
Heritage Building Strategy Fund	120	146
Facilities Maintenance Fund	100	0
Rugby Park Maintenance	350	190

**The Community Wellbeing Fund**

The Committee supported 41 projects in 2022/23 allocating \$565,325 which included returned grants spent and a further 12 multi-year allocations were issued. The fund balance was \$949 at year end.

All projects supported liveability outcomes (social and cultural wellbeing), with just over half supporting city centre vibrancy, 61% promoting economic wellbeing outcomes, and 37% had an environmental focus.

**Heritage Building Strategy Fund**

There are two categories within this fund: built heritage and seismic strengthening.

The Committee supported 22 built heritage projects in 2022/23, allocating the full \$250,000 available. Projects included works such as façade repainting, weatherproofing, veranda repairs and interior refurbishment to restore lost heritage features. Only part of this funding (\$140,000) has been paid out. This is due to delay in fundraising efforts from one applicant, change in building ownership for another and contractor inability to access four buildings in the City Centre.

Four recipients received funding towards the cost of seismic reports and design and one recipient received funding towards seismic strengthening works to their heritage building.

# Council Controlled Organisations

Ngā rōpū a te kaunihera

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Council Controlled Organisations and Council Organisations provide opportunities for councils to provide services and activities. A Council Controlled Organisation is a company or organisation in which a council, or councils, hold 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers.

A council controlled Trading Organisation is similar, but its main focus is making a profit.

A Council Organisation is the same as a Council Controlled Organisation but does not require 50% or more control.

Each Council Controlled Organisation prepared a Statement of Intent which sets out, for the benefit of its shareholders, its mission and objectives for each financial year.

The following Council Controlled Organisations are included in this section:

- Invercargill City Holdings Limited
- Southland Museum and Art Gallery Trust
- Bluff Maritime Museum Trust
- Invercargill City Charitable Trust
- Southland Regional Development Agency Limited – trading as Great South

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

# Invercargill City Holdings Ltd

[www.ichl.co.nz](http://www.ichl.co.nz)

## How did we measure up

Invercargill City Holdings Limited (ICHL) is wholly owned by the Invercargill City Council. There was no proposal to change the ownership or control of ICHL in 2022/23.

ICHL has the following investments:

Companies	Description
Electricity Invercargill Limited (100%)	Electricity Invercargill Limited, an electricity network asset company invests in electricity generation, distribution and maintenance in and outside Invercargill District.
Invercargill Airport Limited (97.47%)	Invercargill Airport Limited operates the Invercargill Airport facility, servicing the Southland and Fiordland regions.
Invercargill Central Limited (45.8%)	Invercargill Central Limited owns the Invercargill Central shopping centre.
Invercargill City Property Limited (100%)	The core business of Invercargill City Property Limited is the consolidation of landholdings within the inner city of Invercargill to facilitate their redevelopment. To achieve this aim the company has invested in, and lent money to, HWCP Management Limited.

During the financial year, ICHL provided a dividend of \$5.089 million to Council.

At the request of Council, ICHL hold the equity investment in ICL.

The ICHL group Annual Report is available on its website.

The 2022/23 Statement of Intent had the following key performance measure.

Financial Performance Targets – Rate of return on equity funds	2022/23 Target	2022/23 Result
Invercargill City Holdings Limited - % After Tax*	7.27%*	2022/23: 3.6% 2021/22: -27.57% 2020/21: 2.65%

\* The 2022/23 Target was set in the 2021 – 2031 Long-term Plan.

ICHL has a range of other performance measures which can be seen in full in the ICHL Annual Report on page 49.

Highlights include:

	Group 2023 Target \$000	Group 2023 Actual \$000	Group 2022 Actual \$000
Gross Revenue	34,517	34,870	32,052
Expenditure	28,066	27,977	(66,260)
Net Profit (Loss)	6,451	6898	(34,208)
Tax	(1,739)	(2,220)	(2,013)
Group net profit (Loss) after tax	4,712	4,673	(36,221)
Dividend to Invercargill City Council	5,089	5,089	4,886
Shareholder Funds to total assets	57.24%	54.11%	52.62%

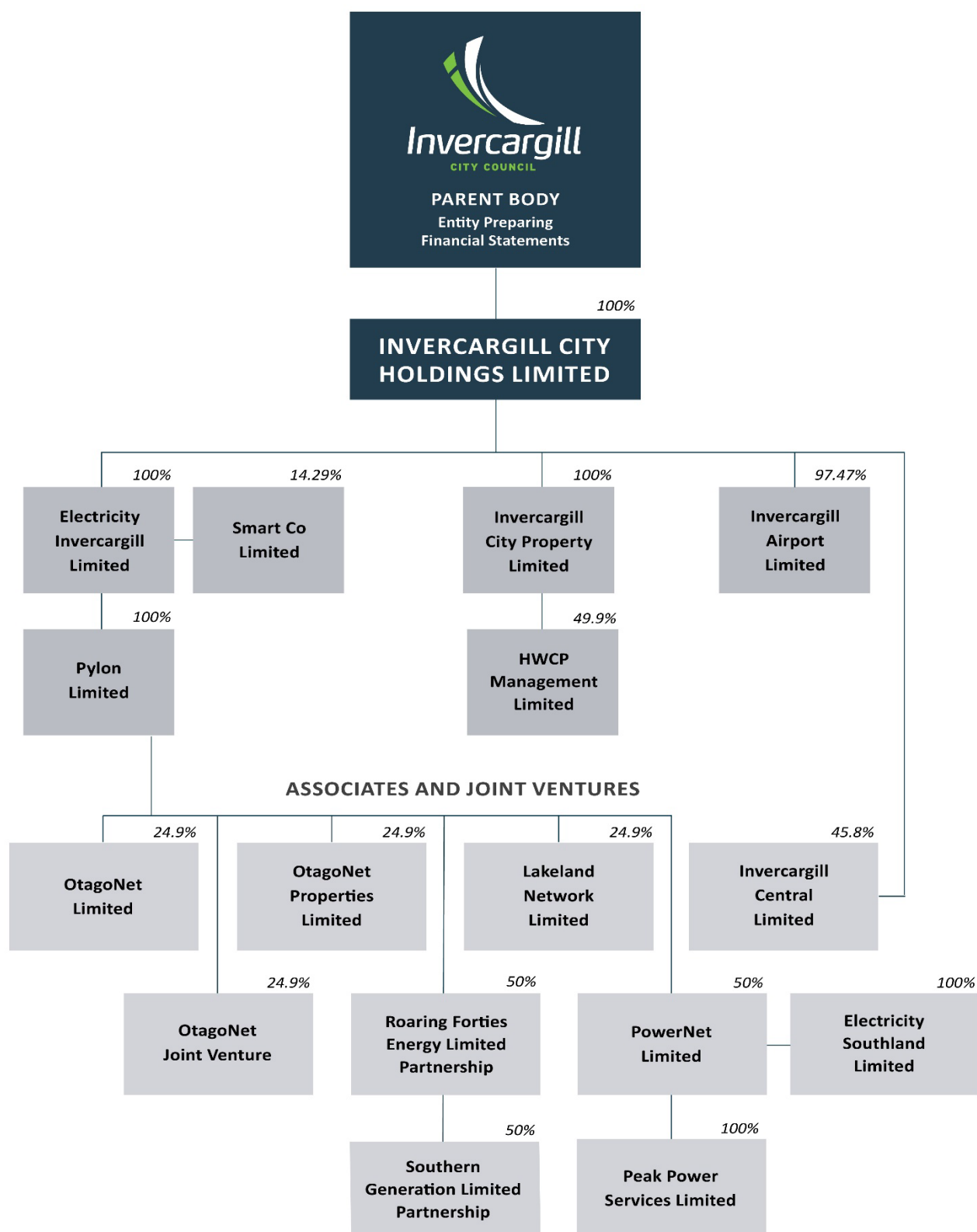
## Health and Safety

	Group 2023 Target	Group 2023 Achievement	Group 2022 Achievement
Total recordable injury rate	3.1	1.1	1.0



# Group Structure

for Invercargill City Holdings Ltd



## Southland Museum and Art Gallery Trust

The Southland Museum and Art Gallery Trust is a Council Controlled Organisation for the 2022/2023 year. The Trust and its stakeholders agreed to undertake a restructure of the Trusts' governance structure and trust deed. During this time, an interim board was appointed to manage the transition to the new structure. This change was completed in the 2022/2023 with a new board appointed to commence from the 22<sup>nd</sup> August 2023.

The Trust continues to function as the guardians / owners of the collection. Invercargill City Council manage the museum operations, including museum redevelopment (Project 1225).

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

## Bluff Maritime Museum Trust

The Bluff Maritime Museum Trust's vision is to make the Bluff Maritime Museum a must-see attraction for residents and visitors. The Bluff Maritime Museum Trust receives funding from the Southland Regional Heritage Committee, Environments Southland, the Invercargill City Council, and the Bluff Community Board. The museum continues to offer engaging displays and interesting collections that have further contributed to their success.

There was no proposal to change the ownership or control of the Bluff Maritime Museum Trust in 2022/23.

Measure of Service	2022/23 Target	2022/23 Result
To recognise the museum as a place where our maritime heritage is valued and promoted.	To recognise the museum as a place where our maritime heritage is valued and promoted.	<p>The Bluff Maritime Museum has an ongoing engagement with South Port and Bluff fishing industry through their ongoing support of exhibitions as well as the Museum. The Museum works closely with the Southland Museum and Art Gallery and as the regional Maritime Museum, Bluff is able to consistently access collection items for exhibition.</p> <p>Small on-site programmes have been developed to engage local and visiting school groups. These programmes focus on the history of the Port and in particular the Oyster Industry. During 2022 the Museum invested in the ongoing conservation and restoration of the "Monica" – one of the few remaining examples of a wooden Oyster boat. This is a long term programme designed to provide visitors with the opportunity to step on board and be immersed in the history of this important local Southland industry.</p> <p>The Museum retains a formal working relationship with the New Zealand Navy. In 2022 plans were formulated to commemorate the sinking of HMS Neptune, which will occur in December 2023.</p> <p>The visitor numbers for 2022/23 were 3,884, up from 2,799 in 2021/22.</p>

## Invercargill City Charitable Trust

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

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

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

Community Outcome	Intermediate Outcomes	2022/23 Target	2022/23 Result
Embrace Innovation and Change	Invercargill has the 'wow factor' with the right facilities and events to enjoy.	Clear strategy with regard to sale/ transfer of Rugby Park	Not achieved – will be a focus for 2023/24.
Enhance our City	Invercargill's business areas are bustling with people, activities and culture	Apply for funding for new events	Not achieved

## Southland Regional Development Agency Limited Trading as Great South



[www.greatsouth.nz](http://www.greatsouth.nz)

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

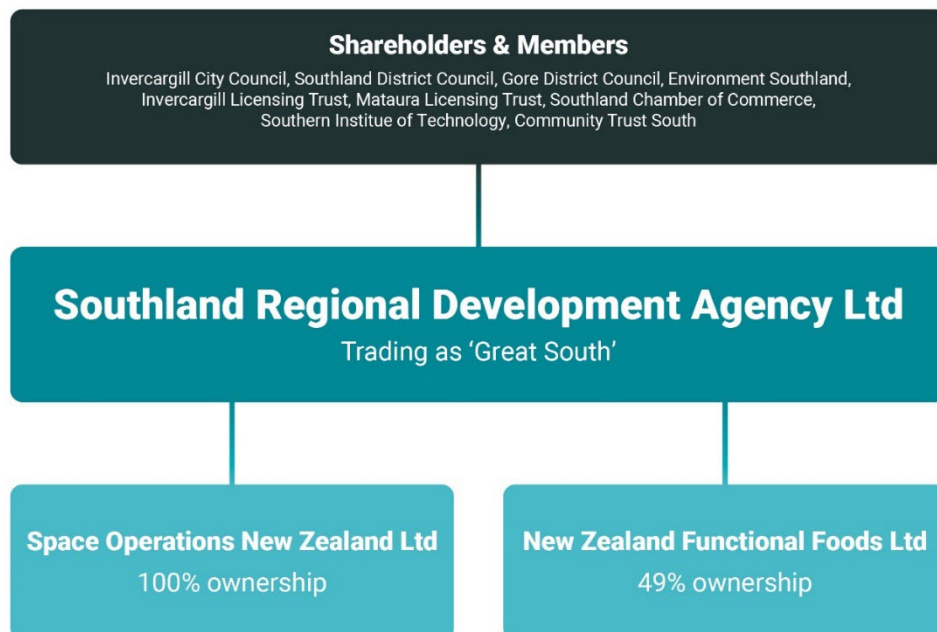
With strong backing from local authorities and representatives from the private and public sectors, including its nine shareholders and members the Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, ILT, MLT, Southland Chamber of Commerce, Southern Institute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

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

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

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

Great South has one subsidiary company and one joint venture – Space Operations NZ Limited and NZ Functional Foods Limited.



Level of service	Long-term plan Community Outcomes	Target 2022/23	Achieved	Result 2022/23	Prior years
Regional economic development – grow the population and diversify the economy	Enhance our City  Preserve its character  Embrace innovation and change	Support the development of one new industry in Invercargill	Achieved	Great South continues its support to develop the aquaculture industry in Southland including support provided to Sanford for their trade waste pipe from Makarewa to Clifton wastewater treatment plant. Great South also provided support to a potential new investor in onshore salmon farming, to present to Environment Southland and the Invercargill City Council for guidance on consenting requirements and community engagements.	2021/22: Great South assisted Data Grid with site selection for its planned \$700m project at Makarewa.  Assessments have been undertaken to facilitate the establishment of a hydrogen production plant in Southland.  Revenue for ground station services increased by 115%.
Regional business development – grow innovative businesses and build a skilled workforce.	Enhance our City  Preserve its character  Embrace innovation and change	165 business Engagements (not unique)	Not Achieved	139 Business engagements.  <i>Note: There was a general slowdown of uptake of products last year, following the aftermath of Covid, where businesses had to pick up the pieces following numerous lockdowns, including facing staff shortages, becoming time poor and facing burnout. Inflation has seen an increase in the cost of doing business and the feedback seems to be that personal and professional development for businesses were not a priority during the last financial year. As a result, in most areas, the business support initiatives fell short of their targets. MBIE are re-purposing business engagements to be lower volume but higher value outcomes for businesses. This will need to be reflected in our KPI's from 2024/25 onwards</i>	2021/22: 493 business engagements undertaken. These include 329 engagements with businesses Southland wide.
		Host four workshops on relevant topics	Achieved	Great South hosted seven workshops with 135 attendees. The topics covered included immigration, LEAN, technology, Virtual reality, supply chain processes and Pacific business events.	2021/22: Great South hosted 5 workshops.
		Connect six businesses with Callaghan R&D funding	Not Achieved	Four businesses connected to Callaghan R&D funding.  <i>Note: Callaghan are restructuring and repurposing their products</i>	2021/22: Eight businesses received funding. Callaghan Innovation suspended Project Grants and Getting Started Grants

Level of service	Long-term plan Community Outcomes	Target 2022/23	Achieved	Result 2022/23	Prior years
				<i>and what is currently on offer is not enticing Southland businesses. Callaghan R&amp;D are also going through some changes to reflect a post-Covid environment.</i>	across NZ due to lack of budget.
		Connect 12 businesses with Business Mentors NZ	Not Achieved	This contract finished in June 2022, therefore there was no activity in this space for the 2022/23 financial year. Business Mentors NZ deal with businesses directly now.	2021/22: Connected 15 Southland businesses with Business mentors NZ.
		Issue 130 co-funded vouchers for capability management and training	Not Achieved	The 130 target was set for all Southland, out of which 120 vouchers were issued covering retail trade, construction, accommodation and food services, manufacturing, arts and recreation, professional services, wholesale trade and healthcare. Invercargill businesses received 67 co-funded capability management training vouchers in the last financial year.	2021/22: 147 capability management vouchers were issued to Southland businesses.
Regional tourism development – diversify the economy.	Enhance our City  Preserve its character  Embrace innovation and change	Process five projects identified in the Southland Murihiku Destination Strategy	Achieved	<b>Bluff Motupōhue Tourism Master Plan</b> - Provided funding for the Bluff Motupōhue Tourism Master Plan Coordinator and undertook management of this role. Worked alongside ICC on the development of a successful Tourism Infrastructure Fund application for the Bluff Motupōhue Active Recreation Precinct to develop new mountain bike trails, car parking and toilets. Supported Awarua Rūnaka to create their vision for a visitor experience at the top of Motupōhue Bluff Hill, utilised additional STAPP funding to deliver this and coordinated the project.  <b>Sustainable Tourism</b> - Developed the Murihiku Sustainable Tourism Programme and held the first in-take in the second half of 2022, in Invercargill. This will be an ongoing programme offered around the region. Developed an online platform for sustainable	2021/22: <b>Bluff</b> - Bluff Motupōhue Tourism Master Plan completed. Great South funded a contract role to guide its implementation. Funded and coordinated interpretation panels for the Invercargill to Bluff cycleway Te Ara Taurapa.  <b>Food tourism</b> – along with Eat NZ, developed a food tourism strategy for Southland, launched in December and presented at workshops in Invercargill and Bluff. Supported Feast Matariki at Te Rau Aroha Marae.  <b>Cycling</b> – trail analysis and itinerary development completed undertaken in conjunction with

Level of service	Long-term plan Community Outcomes	Target 2022/23	Achieved	Result 2022/23	Prior years
				<p>travel in the region, highlighting how visitors can plan a low emission visit to our region, the work happening within Southland in this space, and operators actively working to reduce their impact on the environment.</p> <p><b>Food Tourism</b> - Working on implementation of the Southland Murihiku Food Tourism Strategy – which seeks to establish Southland as a significant food tourism destination. Held a food storytelling workshop with the hospitality sector in Invercargill, where Eat NZ also presented. Developed a regional food guide, showcasing our hero food stories and hospitality providers showcasing these and sharing our stories – to be released in August. Supported the delivery of Feast Matariki at Te Rau Aroha Marae, to develop and build our cultural food story.</p> <p><b>Cycle Tourism</b> - Created new photo and video content to promote Southland as a cycling destination – this included Te Ara Taurapa, the Invercargill to Bluff cycle trail, Bluff Hill Mountain biking trails, Invercargill flood banks and Sandy Point Mountain biking trails. Began development of a regional cycle tourism strategy to highlight pathways to further develop Southland as a key cycle tourism destination – release September/ October 2023.</p> <p><b>Southern Way</b> - Worked in partnership with the 8 Regional Tourism Organisations in Otago and Southland to develop and launch a new touring route network – Southern Way. This showcases Invercargill as one of the three main centres within</p>	<p>Southland Mountain Club. Now available on southlandnz.com</p> <p><b>Low Emission Tourism</b> – a pilot programme for tourism operators has been developed by Great South (begins July 2022).</p>



Level of service	Long-term plan Community Outcomes	Target 2022/23	Achieved	Result 2022/23	Prior years
				the Southern Way, and Invercargill Airport as a gateway to the rest of the region and the lower south. The network is being promoted domestically and through international trade channels and has had video and photo content developed as well as a brand identity, website and suggested itineraries.	
		45 media results featuring the region	Achieved	576 Publications and media results (Domestic and International). 65 results are stand-alone (not campaign-related) publications such as advertising & editorials.	2021/22: 340 media results recorded in 77 different publications.
Regional events – diversify the economy	Enhance our City  Preserve its character  Embrace innovation and change	Support 15 events, both existing and new, which drive overnight visitation in the region	Not Achieved	<p>Unmissable events located in Invercargill include: ILT Kidzone Festival (July), Miharo Murihiku Polyfest (August), NZ Road Transport hall of Fame Awards (September), Southland's ILT Darts Master (October), 3x3 Cup (October), SBS Tour of Southland (October/November), Ascot Park Christmas at the Races (December), Burt Munro Challenge (February), Southland A &amp; P Show (March), George Begg Festival (March), Southland Beer Wine and Wild Food Festival (April).</p> <p>Working alongside event organisers to support the development of new and emerging events.</p> <p><b>In development:</b> Armageddon, Oceania Arm Wrestling, Cabaret Festival, Southland Cheese Roll competition</p> <p><b>First year of delivery:</b> Rangatahi Zone, Anderson Park food activations with mash Events, ILT Darts Masters</p> <p><b>Second year of delivery:</b> George Begg Festival, Not Bluff Oyster Festival Mystery Bus Tour including the brand marketing of Taste Southland</p>	2021/22: Great South continues to work with representatives of 36 key Southland destination events, as identified in the Southland Murihiku Events Strategy, particularly on out-of-region marketing. 11 of these are in Invercargill or Bluff, including the Bluff Oyster and Seafood festival and the Burt Munro Challenge. These events are featured in a digital seasonal events calendar <a href="#">Events In Southland   Southland, New Zealand (southlandnz.com)</a> Significant focus has been put on attracting business events to Invercargill and will be enhanced in the future work of the business Events team. Great South continues to lead, organise and innovate ILT Kidzone, a nationally-recognised community event, in the city each year.

Level of service	Long-term plan Community Outcomes	Target 2022/23	Achieved	Result 2022/23	Prior years
				<p><b>More than three years of delivery:</b> Savour the South, Heritage Month, (cluster calendar), Matariki (cluster calendar)</p> <p>Overall in 2022/23 we delivered 13 unmissable events and worked on 4 new events which brings the total to 17 events in total.</p>	

The activities delivered by Great South directly contribute towards the community outcomes. Great South works with a range of stakeholders to drive growth in the region.

The majority of the core funding was utilised on administration and staff costs. Contract funding was allocated to regional economic, business, tourism and events development. There was a \$47,599 deficit for the year.

# Financial Management

## Te Whakahaere Pūtea

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Council must, under the Local Government Act, manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that sustainably promotes the current and future interests of the Community.

This section includes:

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

All figures are GST exclusive unless otherwise stated.

# Statement of comprehensive revenue and expense

## Tauākī o ngā Moni Whiwhi me ngā Whakapaunga Whānui

For the year ended 30 June 2023

	Note	Council Actual 2023 (\$000)	Council Budget 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Revenue</b>						
Rates revenue	2.1	66,548	65,777	61,313	66,548	61,313
Fines		812	605	503	812	503
Subsidies and grants	2.4	15,651	13,549	23,532	15,671	23,532
Direct charges revenue		27,438	24,350	24,481	52,557	46,851
Rental revenue		3,152	3,370	3,009	5,474	5,067
Finance revenue	5	2,768	692	687	3,741	1,135
Dividend income		5,089	5,089	4,886	-	-
Subvention payments received		205	-	251	-	-
Other revenue	17.1	88	-	-	88	-
<b>Total revenue (excluding gains)</b>		<b>121,751</b>	<b>113,432</b>	<b>118,662</b>	<b>144,891</b>	<b>138,401</b>
<b>Expenditure</b>						
Employee expenses	3	30,453	30,602	27,089	32,076	28,341
Depreciation and amortisation	4	41,008	32,023	29,219	48,213	36,386
General expenses	6	56,649	51,377	54,666	71,597	68,757
Finance expenses	5	3,266	2,325	1,627	6,631	4,331
<b>Total expenditure</b>		<b>131,376</b>	<b>116,327</b>	<b>112,601</b>	<b>158,517</b>	<b>137,815</b>
Other gains/(losses)	2.2	(1,123)	742	528	(798)	1,067
<b>Operating surplus (deficit) before tax</b>		<b>(10,748)</b>	<b>(2,153)</b>	<b>6,589</b>	<b>(14,424)</b>	<b>1,653</b>
Share of associates' and joint ventures' surplus (deficit)	17.18	-	-	-	7,365	4,993
Impairment of investment in joint venture	17.2	-	-	-	(41,885)	-
<b>Surplus (deficit) before tax</b>		<b>(10,748)</b>	<b>(2,153)</b>	<b>6,589</b>	<b>(48,944)</b>	<b>6,646</b>
Income tax expense	7.1	-	-	-	(2,241)	(1,517)
<b>Surplus (deficit) after tax</b>		<b>(10,748)</b>	<b>(2,153)</b>	<b>6,589</b>	<b>(51,185)</b>	<b>5,129</b>
<b>Attributable to:</b>						
Invercargill City Council		(10,748)	(2,153)	6,589	(51,221)	5,115
Minority interest		-	-	-	36	14
		<b>(10,748)</b>	<b>(2,153)</b>	<b>6,589</b>	<b>(51,185)</b>	<b>5,129</b>
<b>Other comprehensive revenue and expense</b>						
Property, plant and equipment revaluation gains/(losses)		5,065	-	215,177	18,480	215,044
Carbon credit revaluation gains/(losses)	2.2	(1,103)	-	1,047	(1,103)	1,047
Cash flow hedges		270	-	2,385	918	5,958
<b>Total other comprehensive revenue and expense</b>		<b>4,232</b>	<b>-</b>	<b>218,609</b>	<b>18,295</b>	<b>222,049</b>
<b>Total comprehensive revenue and expense</b>		<b>(6,516)</b>	<b>(2,153)</b>	<b>225,198</b>	<b>(32,890)</b>	<b>227,178</b>
<b>Total comprehensive revenue and expense attributable to:</b>						
Equity holders of the Council		(6,516)	(2,153)	225,198	(32,926)	227,164
Minority interest		-	-	-	36	14
		<b>(6,516)</b>	<b>(2,153)</b>	<b>225,198</b>	<b>(32,890)</b>	<b>227,178</b>

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

\* Certain prior period revenue and expenditure items have been reclassified between functional categories for consistency with the current period and comparative figures for 2022 have been restated to incorporate the adjustment. Refer to Note 3 and Note 6 for full details.

# Statement of changes in equity

## Tauākī o ngā panoni tūnga pūtea

For the year ended 30 June 2023

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

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

# Statement of financial position

## Tauākī o te Tūnga Pūtea

As at 30 June 2023

	Note	Council Actual 2023 (\$000)	Council Budget 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	8	15,443	12,663	18,596	19,245	24,352
Receivables	9.1	16,428	11,649	13,341	19,311	15,785
Prepayments		1,333	1,089	1,279	1,333	1,279
Tax receivables	7.2	-	-	-	2	1
Inventories		602	751	480	608	486
Derivative financial instruments	19.1	-	-	-	133	-
Other financial assets	18.1	18,673	18,302	24,960	19,423	24,960
<b>Total current assets</b>		<b>52,479</b>	<b>44,454</b>	<b>58,656</b>	<b>60,055</b>	<b>66,863</b>
<b>Non-current assets</b>						
Work in progress	11.2, 12.1, 16	33,740	-	36,111	36,487	39,356
Property, plant and equipment	11.1	1,064,838	1,070,534	1,047,098	1,215,236	1,183,097
Intangible assets	12.1	2,391	5,776	3,179	2,391	3,179
Biological assets	13	4,203	4,246	3,848	4,203	3,848
Investment property	16	26,956	27,566	26,761	32,786	32,266
Investment in associates and joint ventures	17.1	-	-	-	108,785	144,380
Advances to associates and joint ventures		-	-	-	12,998	13,428
Investment in Subsidiaries	18.1	76,569	84,069	76,569	-	-
Other financial assets	18.1	25,451	24,962	15,277	26,774	17,100
Derivative financial instruments	19.1	751	-	481	2,100	1,124
Deferred tax assets	7.3	-	-	-	25	323
<b>Total non-current assets</b>		<b>1,234,899</b>	<b>1,217,153</b>	<b>1,209,324</b>	<b>1,441,785</b>	<b>1,438,101</b>
<b>Total assets</b>		<b>1,287,378</b>	<b>1,261,607</b>	<b>1,267,980</b>	<b>1,501,840</b>	<b>1,504,965</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	10	18,683	20,260	15,309	22,421	19,465
Provisions	20	112	112	112	112	112
Employee benefit liabilities	21	3,783	2,663	3,682	3,952	3,809
Borrowings	19.2	70,799	59,391	33,362	113,818	56,108
Tax payable	7.2	-	-	-	913	2,001
Derivative financial instruments	19.1	-	-	-	-	61
<b>Total current liabilities</b>		<b>93,377</b>	<b>82,426</b>	<b>52,465</b>	<b>141,216</b>	<b>81,556</b>
<b>Non-current liabilities</b>						
Provisions	20	816	816	816	816	816
Employee benefit liabilities	21	27	872	25	27	25
Borrowings	19.2	53,700	89,086	68,700	101,900	136,900
Deferred tax liabilities	7.3	-	-	-	29,628	24,525
Derivative financial instruments	19.1	-	1,904	-	-	-
<b>Total non-current liabilities</b>		<b>54,543</b>	<b>92,678</b>	<b>69,541</b>	<b>132,371</b>	<b>162,266</b>
<b>Total liabilities</b>		<b>147,920</b>	<b>175,104</b>	<b>122,006</b>	<b>273,587</b>	<b>243,822</b>
<b>Equity</b>						
Retained earnings	22	378,519	385,802	398,173	416,681	476,764
Other reserves	22	760,939	700,701	747,801	811,572	784,379
<b>Total equity</b>		<b>1,139,458</b>	<b>1,086,503</b>	<b>1,145,974</b>	<b>1,228,253</b>	<b>1,261,143</b>
<b>Total liabilities and equity</b>		<b>1,287,378</b>	<b>1,261,607</b>	<b>1,267,980</b>	<b>1,501,840</b>	<b>1,504,965</b>
Total equity attributable to the Council		1,139,458	1,086,503	1,145,974	1,226,419	1,259,345
Total equity attributable to the minority interests		-	-	-	1,834	1,798
<b>Total equity</b>		<b>1,139,458</b>	<b>1,086,503</b>	<b>1,145,974</b>	<b>1,228,253</b>	<b>1,261,143</b>

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

# Statement of Cash flows

## Tauākī o ngā rerenga moni

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)
Note						
<b>Cash flows from operating activities</b>						
	Receipts from rates revenue	66,548	65,777	61,313	66,548	61,313
	Receipts from other revenue	41,458	41,874	47,129	69,040	71,593
	Interest received	2,678	692	687	3,445	935
	Dividends received	5,089	5,089	4,886	-	-
	Subvention payments received	205	-	251	-	-
	Payments to suppliers and employees	(81,420)	(81,979)	(80,399)	(97,649)	(95,559)
	Interest paid	(2,699)	(2,325)	(1,627)	(5,862)	(3,983)
	Income tax (paid) refund	-	-	-	(2,753)	(689)
	Goods and services tax (net)	431	-	(3,214)	427	(3,179)
	<b>Net cash flows from operating activities</b>	<b>32,290</b>	<b>29,128</b>	<b>29,026</b>	<b>33,196</b>	<b>30,431</b>
24.1						
<b>Cash flows from investing activities</b>						
	Proceeds from sale of property, plant and equipment	1,249	-	3,719	1,296	3,720
	Proceeds from sale of investment property	200	-	700	200	700
	Proceeds from sale of investments	4,192	7,100	26,809	6,684	26,809
	Proceeds from assets held for resale	-	-	9,980	-	9,980
	Purchase of property, plant and equipment	(49,936)	(71,638)	(50,551)	(59,684)	(58,380)
	Purchase of investments	-	(15,376)	(16,661)	(250)	(18,366)
	Purchase of investment property	-	(399)	(491)	-	(491)
	Purchase of intangible assets	(2,500)	(3,579)	(808)	(2,500)	(808)
	Advances made to associates and joint ventures	(10,518)	-	(12,640)	(12,749)	(12,224)
	Dividends received from associates and joint ventures	-	-	-	6,564	6,326
	Investments in associates and joint ventures	-	-	-	-	(8,575)
	<b>Net cash flows from investing activities</b>	<b>(57,313)</b>	<b>(83,892)</b>	<b>(39,943)</b>	<b>(60,439)</b>	<b>(51,309)</b>
<b>Cash flows from financing activities</b>						
	Proceeds from borrowings	41,870	54,764	22,840	46,720	112,940
	Repayment of borrowings	(20,000)	-	(10,000)	(24,577)	(94,550)
	Sale of Investments	-	-	-	-	944
	Dividends paid	-	-	-	(7)	-
	<b>Net cash flows from financing activities</b>	<b>21,870</b>	<b>54,764</b>	<b>12,840</b>	<b>22,136</b>	<b>19,334</b>
24.2						
	<b>Net (decrease) increase in cash, cash equivalents and bank overdrafts</b>	<b>(3,153)</b>	<b>-</b>	<b>1,923</b>	<b>(5,107)</b>	<b>(1,544)</b>
	Cash, cash equivalents and bank overdrafts at the beginning of the year	18,596	12,663	16,673	24,352	25,896
	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>15,443</b>	<b>12,663</b>	<b>18,596</b>	<b>19,245</b>	<b>24,352</b>
8						

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

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## 1 Statement of Accounting Policies Tauākī o ngā kaupapa here kaute

### Reporting entity

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

Council is a territorial authority governed by the Local Government Act 2002. The consolidated entity consists of Invercargill City Council and its subsidiaries, Invercargill City Holdings Limited (100% owned), Invercargill Venue and Events Management Limited (100% owned), Invercargill City Charitable Trust (100% owned). Invercargill Community Recreation and Sports Trust (100% owned) for 2022 only. The Council has one joint venture, a joint operation being WasteNet (56% share). Council has three associates being Southland Regional Heritage Committee (64% share of voting rights), Emergency Management Southland (28% share of voting rights) and Southland Regional Development Agency (48.73% share of voting rights).

The Invercargill City Holdings Limited Group consists of:

- Electricity Invercargill Limited (100% owned) and its wholly owned subsidiary Pylon Limited. (Refer to page 86 for additional structure information). Electricity Invercargill Limited has a balance date of 31 March.
- Invercargill Airport Limited (97% owned).
- Invercargill City Property Limited (100% owned) and its associate HWCP Management Limited (49.9% owned). (Refer to page 86 for additional structure information).
- Invercargill Central Limited is an associate of Invercargill City Holdings Limited (45.8% owned).

All Invercargill City Council subsidiaries and associates are incorporated in New Zealand.

The primary objective of Council is to provide goods or services for the community or for social benefit rather than to make a financial return. Accordingly, Council has designated itself a public benefit entity (PBE) for financial reporting purposes. Council is therefore subject to policies and exemptions that may not apply to other entities in the Group. Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

The financial statements of Council are for the year ended 30 June 2023. The financial statements were approved by Council on 31 October 2023.

### Basis of preparation - Measurement base

The financial statements of Council and the Group have been prepared in accordance with the Tier 1 PBE accounting standards. These financial statements comply with the PBE standards. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on the going concern basis.

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

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

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

Certain prior period revenue and expenditure has been reclassified between functional categories for consistency with the current period

### Foreign currency transactions

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

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

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

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

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

### Goods and Services Tax (GST)

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

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are shown exclusive of GST.

### Cost allocations

Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

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

### Plan values disclosed

The budget figures are those approved by Council at the beginning of the year in the Long Term Plan or Annual Plan. The budget figures have been prepared in accordance with Tier 1 PBE accounting standards, using accounting policies that are consistent with those adopted by Council for the preparation of the financial statements.

### Net Assets / Equity

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

### Implementation of new accounting standards

#### PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The group has adopted PBE IPSAS 41 Financial Instruments, and the adoption did not result in any significant impact on the council and group financial statements.

#### PBE FRS 48 Service Performance Reporting

PBE FRS 48 Service Performance Reporting replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The council has adopted PBE FRS 48 in the statement of service performance. The adoption resulted in the disclosure of judgements used in the selection, measurement, aggregation and presentation of service performance information in the Annual Report.

### Standard issued but not yet effective

The group will adopt the following accounting standards in the reporting period after the effective date.

#### 2022 Omnibus Amendments to PBE Standards, issued June 2022

The 2022 Omnibus Amendments include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards.

- PBE IPSAS 16 Investment Property: The amendments clarify that fair value measurement of self-constructed investment property could begin before the construction is completed.
- PBE IPSAS 17 Property, Plant and Equipment: The amendments change the accounting for any net proceeds earned while bringing an asset into use by requiring the proceeds and relevant costs to be recognised in surplus or deficit rather than being deducted from the asset cost recognised.
- PBE IPSAS 30 Financial Instruments: Disclosures: The amendment specifically refers to disclosing the circumstances that result in fair value of financial guarantee contracts not being determinable.
- PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets: The amendments clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised).

The revised PBE standards are effective from the year ending 30 June 2024. They are not expected to have any significant impact on the council and group financial statements.

#### PBE IFRS 17 Insurance Contracts

PBE IFRS 17 Insurance Contracts for public sectors was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group does not expect any impact from the new standard.

### Principles of consolidation

#### Subsidiaries

Council consolidates its subsidiaries in the group financial statements all entities where Council has the capacity to control their financing and operating policies as to obtain benefits from the activities of the entity. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Council measures the cost of a PBE combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or presumed, in exchange for control of the subsidiary plus any costs directly attributable to acquisition.

Any excess of the cost of the PBE combination over Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

#### Basis of Consolidation

The method used to prepare the consolidated financial statements involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Council's investment in its subsidiaries are carried at deemed cost in Council's own "parent entity" financial statements. Deemed cost is based on the net asset value of the subsidiary on conversion to NZ IFRS.

## 2 Revenue

### *Accounting Policy / Kaupapahere Kaute*

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

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

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

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

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

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

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

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

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

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

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

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

## 2.1 Rates revenue

## Accounting Policy / Kaupapahere Kaute

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

The following policies for rates have been applied:

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

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

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
General rates	40,037	36,852
Rates penalties	716	513
	<b>40,753</b>	<b>37,365</b>
<b>Targeted rates attributable to activities</b>		
Water	9,301	8,624
Sewerage and drainage	7,162	6,675
Refuse and recycling	4,190	3,901
Other activities	5,209	4,788
<b>Total revenue from rates</b>	<b>66,615</b>	<b>61,353</b>

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Halls, museums and other similar groups	2	2
Organisations whose object is the health and well-being of the community	33	26
Organisations whose principal object is the promotion of the arts or recreation	25	9
Organisations using premises for branches of the arts	6	2
Organisations using premises for historic conservation purposes	1	1
<b>Total remissions</b>	<b>67</b>	<b>40</b>
<b>Rates revenue net of remissions</b>	<b>66,548</b>	<b>61,313</b>

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's rates remission policy.

*Commentary / Whakaaro*

The increase in annual rates collected by Council reflects the 6.53% rise as part of the 2022-23 Annual Plan and growth in rating units.

The annual rates revenue of the Council for the year ended 30 June 2023 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is the "Rates revenue net of remissions" shown above.

Rates revenue is shown net of rates remissions. The purpose of granting rates remission to an organisation is to:

- assist the organisation's survival, and
- make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, those with disabilities and economically disadvantaged people.

As required by the Local Government (Rating) Act 2002, details of rates remitted during the year are shown above.

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$2.23 million (2022: \$2.10 million). For the Group, rates of \$2.23 million (2022: \$2.14 million) have not been eliminated.

### 2.1(a) Rating base information

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Number of rating units within the Invercargill City Council	27,056	26,847
	(\$000)	(\$000)
Total rateable land value within the Invercargill City Council	4,503,091	4,481,681
Total rateable capital value within the Invercargill City Council	12,860,843	12,686,939

*Commentary / Whakaaro*

The rating database as at 30 June 2022 is used to determine the rates revenue for the 2022/23 year. This information is verified with Quotable Value Limited.

## 2.2 Other gains and losses

Accounting Policy / Kaupapahere Kaute

**Realised gains and losses in surplus / deficit**

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

During the year ended 30 June 2023, impairment expenses were recognised with regards to the Impairment of a Related party Loan.

As described in Note 19.5, an impairment expense of \$2.492 million was recorded in the statement of financial performance for the year end 30 June 2023

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<i>Recognised in Retained Earnings</i>				
Change in fair value and harvesting of biological assets (refer Note 13)	575	(38)	575	(38)
Change in fair value of investment property (refer Note 16)	395	(630)	720	(295)
Change in fair value of investments	(37)	12	(37)	12
Impairment of other financial assets	(2,492)	-	(2,492)	204
Net gain/(loss) on sale of property, plant and equipment	436	1,184	436	1,184
	(1,123)	528	(798)	1,067
<i>Recognised in Other comprehensive revenue and expense</i>				
Change in fair value of carbon credits	(1,103)	1,047	(1,103)	1,047
Change in fair value of cash flow hedges	-	-	-	-
Total other gains and losses	(2,226)	1,575	(1,901)	2,114

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
General rates, uniform annual general charges, rates penalties	40,686	37,324
Targeted rates	25,862	23,988
<b>Total rates revenue as per Funding Impact Statement</b>	<b>66,548</b>	<b>61,313</b>
Rates excluding targeted water supply rates	57,247	52,689
Rates - Targeted water supply rates	9,301	8,624
<b>Total rates revenue as per Statement of Comprehensive Revenue and Expense</b>	<b>66,548</b>	<b>61,313</b>

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Total operating funding as per Funding Impact Statement	113,618	101,566
Plus: Capital funding - Subsidies and grants for capital expenditure		
- Roading activity	4,364	4,874
- Stormwater activity	1,044	8,942
- Water activity	710	4,049
- Sewerage activity	29	334
- General services activities	3,112	-
Less: Share of joint ventures' revenue	(1,126)	(1,104)
Plus: Non cash revaluations		
- Investment property revaluation gain/(loss)	395	(630)
- Biological assets revaluation gain/(loss)	575	(38)
- Investments revaluation gain/(loss)	(37)	12
- Impairment of other financial assets	(2,492)	-
- Carbon credits revaluation gain/(loss)	(1,103)	1,047
- Cash flow hedges revaluation gain/(loss)	270	2,385
- De-recognition of property, plant and equipment gain/(loss)	436	1,184
<b>Total revenue funding as per Statement of Comprehensive Revenue and Expense</b>	<b>119,795</b>	<b>122,621</b>



	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Per Statement of Comprehensive Revenue and Expense		
Rates excluding targeted water supply rates	57,247	52,688
Targeted rates for water supply	9,301	8,624
Finance revenue	2,768	687
Subsidies and grants	15,651	23,532
Other revenue	36,784	33,130
Total revenue (excluding gains)	121,751	118,661
Change in fair value and harvesting of biological assets	575	(38)
Change in fair value of investment property	395	(630)
Change in fair value of investments	(37)	12
Impairment of other financial assets	(2,492)	-
Change in fair value of carbon credits	(1,103)	1,047
Change in fair value of cash flow hedges	270	2,385
Gain/(Loss) on sale of assets	436	1,184
Total revenue as per Statement of Comprehensive Revenue and Expense	119,795	122,621

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Total applications of operating funding as per Funding Impact Statement	91,219	84,307
Less: Share of joint ventures' expenses	(851)	(925)
	90,368	83,382
Per Statement of Comprehensive Revenue and Expense		
Employee benefit expenses	30,453	27,875
Other expenses	56,649	53,880
Finance expenses	3,266	1,627
	90,368	83,382
Plus: depreciation expense (not in Funding Impact Statement)	41,008	29,219
Total operating expenditure including finance costs as per Statement of Comprehensive Revenue and Expense	131,376	112,601

## 2.4 Subsidies and grants

Accounting Policy / Kaupapahere Kaute

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Waka Kotahi (NZ Transport Agency)				
- Operating	5,312	4,320	5,313	4,320
- Capital	4,364	4,874	4,364	4,874
Other grants and subsidies				
- Operating	1,080	1,013	1,100	1,013
- Capital	4,895	13,325	4,894	13,325
Total subsidies and grants	15,651	23,532	15,671	23,532

## Commentary / Whakaaro

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

Waka Kotahi funding of \$10.4 million (2022: \$9.2 million) which funded road and footpath operating activities and capital projects.

Three Waters Stimulus funding of \$0.8 million (2022: \$5.0 million) was recognised.

Shovel Ready funding of \$1.0 million (\$8.9 million), from Kānoa which funded 70% of the Stead Street Stop Bank project.

Three Waters Better off Funding of \$2.95million, which funded 44% of the 2022/23 spend on the Tisbury Storage Facility.

### 3 Employee expenses

#### Accounting Policy / Kaupapahere Kaute

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Wages and salaries	27,860	24,861	29,439	26,074
Contributions to defined contribution plans	733	635	771	668
Increase/(Decrease) in employee benefits	(54)	17	(54)	17
Other employment related expenses	1,914	1,576	1,920	1,582
<b>Total</b>	<b>30,453</b>	<b>27,089</b>	<b>32,076</b>	<b>28,341</b>

Certain prior period revenue and expenditure items (including Councillor remuneration) have been reclassified between functional categories for consistency with the current period, and comparative figures for 2022 have been restated to incorporate the adjustment

#### Commentary / Whakaaro

Council made two (2022: three) severance payments during the year ended 30 June 2023 totalling \$29,403 (\$18,000, \$11,403) (2022: \$45,000 comprising \$15,000, \$10,000, \$20,000).

### 4 Depreciation and amortisation expense by group of activity

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Roading	12,380	9,895
Sewerage	7,867	4,145
Solid waste management	338	493
Stormwater	4,493	3,882
Water supply	6,809	4,048
General Services	9,121	6,756
<b>Total depreciation and amortisation expense by group of activity</b>	<b>41,008</b>	<b>29,219</b>

## 5 Net Finance costs

Accounting Policy / Kaupapahere Kaute

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

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

Finance revenue from related party investments relates to a loan to Invercargill Central Limited, an associate of Invercargill City Holdings Limited.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Finance expenses				
- Borrowings	3,260	1,622	6,625	4,326
- Other	6	5	6	5
Total Financial expenses	3,266	1,627	6,631	4,331
Finance revenue				
- Cash and cash equivalents	(559)	(100)	(585)	(116)
- Other Financial Assets	(722)	(468)	(1,669)	(900)
- Related Party Investments	(1,487)	(119)	(1,487)	(119)
Total Financial revenue	(2,768)	(687)	(3,741)	(1,135)
Net Finance Cost	498	940	2,890	3,196

### Commentary / Whakaaro

Council has entered into interest rate swap agreements to fix the cost of current and future borrowing. Market interest rates have begun to increase in 2022/23, however with the majority of the Council's debt set on fixed rates the financing costs have been relatively stable.

Council advanced Invercargill Central Limited (ICL) \$25.8 million (2022: \$12.8 million) in loan funding for its city centre development. Interest is charged at market rates on the loan.

## 6 General expenses

Accounting Policy / Kaupapahere Kaute

**Non-discretionary grants-** are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

**Discretionary grants-** are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant and any grant criteria are met. Rates remissions are treated as a discretionary grants to the recipient of the remission in accordance with the Council's rates remission policy.

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

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Audit fees (Note 6.1)	371	204	689	452
Bad and doubtful debts	173	(198)	173	(298)
Directors' fees	-	-	581	492
Elected members' remuneration	795	786	794	786
Operating lease expenses	269	344	269	344
Donations and Grants expenses	5,632	4,616	5,632	5,710
Direct operating expenses (including repairs and maintenance) arising on investment properties	642	1,523	642	1,523
Direct operating expenses (including repairs and maintenance) arising on other Council activities	37,849	35,649	37,849	35,649
Biological assets cost of goods sold	220	136	220	136
PWC Consulting Fees*	-	-	24	-
Other expenses	10,698	11,606	24,724	23,963
<b>Total General Expenses</b>	<b>56,649</b>	<b>54,666</b>	<b>71,597</b>	<b>68,757</b>

\*Consulting fees include Regulatory Forecasting and Price Setting Compliance Statement

Certain prior period revenue and expenditure items have been reclassified between functional categories for consistency with the current period, and comparative figures for 2022 have been restated to incorporate the adjustment. Refer to Note 3 for full details.

## 6.1 Remuneration of auditors

## Accounting Policy / Kaupapahere Kaute

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Auditor's remuneration to Audit New Zealand comprises:				
- Audit of financial statements	262	157	407	266
- Cost recovery from audit of last year's financial statements	95	40	117	59
- Other audit-related services	8	7	8	7
Auditor's remuneration to other auditors comprises:				
- Audit of financial statements	-	-	66	49
- Audit of default price path	-	-	36	32
- Audit of regulatory disclosures	-	-	49	39
- Other audit-related services	6	-	6	-
<b>Total</b>	<b>371</b>	<b>204</b>	<b>689</b>	<b>452</b>

## Commentary / Whakaaro

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

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

## 7 Income taxes

Accounting Policy / Kaupapahere Kaute

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

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

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

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

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a PBE combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the surplus/deficit in the Statement of Comprehensive Revenue and Expenses, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

## 7.1 Components of tax expense

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Current tax expense</b>				
Current tax	-	-	1,975	1251
Adjustment to current tax for prior years	-	-	(1)	(121)
<b>Total current tax expense</b>	-	-	1,974	1,130
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	-	-	264	391
Adjustment for prior periods	-	-	3	(4)
<b>Total deferred tax expense</b>	-	-	267	387
<b>Total income tax expense</b>	-	-	2,241	1,517
<b>Reconciliation of effective tax rate</b>				
Surplus (Deficit) for the period excluding income tax	(10,748)	6,589	(48,944)	6,646
Tax at 28%	(3,009)	1,845	(13,704)	1,861
Permanent differences	-	-	12,913	1,963
Non-deductible expenses	-	-	(5)	365
Tax exempt revenue	3,009	(1,845)	3,002	(2,123)
Subvention payments (made) received	205	251	-	-
Change in recognised temporary differences	-	-	(143)	(31)
Under/(Over) provided in prior periods	(205)	(251)	178	(518)
<b>Total income tax expense</b>	-	-	2,241	1,517

## 7.2 Current tax assets and liabilities

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Current tax assets</b>				
Current tax/Tax refund receivable	-	-	2	1
<b>Total current tax assets</b>	-	-	2	1
<b>Current tax payable</b>				
Income tax payable	-	-	913	2,001
<b>Total current tax liabilities</b>	-	-	913	2,001



## 7.3 Deferred tax balance

## Group

Movements in temporary differences during the year

	Balance 1 July 2021	Recognised in surplus or deficit	Recognised in equity	Balance 30 June 2022	Recognised in surplus or deficit	Recognised in equity	Balance 30 June 2023
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Property, plant and equipment	23,008	190	-	23,198	219	4,585	28,002
Biological assets	-	-	-	-	-	-	-
Carbon credits	-	-	-	-	-	-	-
Investment property	356	33	-	389	7	-	396
Derivatives	(1,226)	-	1,389	163	-	251	414
Provisions	8	(3)	-	5	(18)	-	(13)
Other items	367	403	-	770	59	-	829
Tax losses	(88)	(235)	-	(323)	298	-	(25)
Total movements	22,425	388	1,389	24,202	565	4,836	29,603

## 7.4 Unrecognised tax losses

## Commentary / Whakaaro

Council has not recognised a deferred tax asset in relation to tax losses of \$78 thousand (2022: \$810 thousand). However, the asset has been recognised at a Group level.

## 8 Cash and cash equivalents

Accounting Policy / Kaupapahere Kaute

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

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Bank balances	15,435	18,591	19,237	24,347
Cash on hand	8	5	8	5
Cash and cash equivalents in the Statement of Cash Flows	15,443	18,596	19,245	24,352

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Bank of New Zealand	-	11,186	-	11,186

## Commentary / Whakaaro

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

Within the balances above, Council holds:

- \$700,000 (2022: \$700, 000) of funds designated for construction of a boat ramp at Bluff, these funds are restricted for this purpose.
- \$1,988,803 (2022: \$1,281,424) of funds relating to the WasteNet Southland joint arrangement. The other partners' share of this balance is included within Trade and other payables.
- \$27,850 (2022: \$25,727) of funds relating to the Kiwibank Lotto operation. The other partners' share of this balance is included within Trade and other payables.

## 9 Receivables and prepayments

### Accounting Policy / Kaupapahere Kaute

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

Loans, including loans to community organisations made at nil, or below – market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows is recognised in the Statement of Comprehensive Revenue and Expenses as a grant.

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

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

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

### 9.1 Receivables

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Rates and water receivables	3,034	2,678	3,034	2,678
Related party receivables	637	119	495	236
Sundry debtors	4,653	3,554	7,145	5,652
Accrued Revenue	7,981	6,298	8,480	6,702
Goods and services tax	734	1,165	866	1,090
	17,039	13,814	20,020	16,358
Less provision for impairment of receivables	(611)	(473)	(709)	(573)
Total	16,428	13,341	19,311	15,785
<b>Total receivables comprises:</b>				
Receivables from non-exchange transactions	11,286	9,964	11,286	9,964
Receivables from exchange transactions	5,142	3,377	8,025	5,821
Total	16,428	13,341	19,311	15,785

### Commentary / Whakaaro

Receivables from non-exchange transactions includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates.

Receivables from exchange transactions includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.

The carrying value of trade and other receivables approximates their fair value.

Council does not provide for any impairment on rates receivables as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances.

The powers under the Local Government (Rating) Act 2002 allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The Chief Executive approved the write-off of rates receivables during the year under the Local Government (Rating) Act 2002 as follows: Section 90A: Nil (2022: Nil) and Section 90B: Nil (2022: Nil)

## 9.2 Movement in provision for impairment of receivables:

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
At 1 July	(473)	(690)	(573)	(739)
Additional provisions made during the year	(57)	(376)	(57)	(427)
Receivables written off during the period	35	29	35	29
Provision for bad and doubtful debts	(116)	564	(114)	564
At 30 June	(611)	(473)	(709)	(573)

*Commentary / Whakaaro*

As of 30 June 2023 and 2022, all overdue receivables, except for rates receivables, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for the Council's pool of debtors. Expected losses have been determined based on an analysis of the Council's losses in previous periods, and review of specific debtors.

## 9.3 Credit risks aging of trade receivables

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Current (less than 3 months)	15,775	13,018	18,555	15,279
3 to 6 months	507	324	512	507
6 to 9 months	-	23	-	23
9 to 12 months	-	-	6	-
> 12 months	146	(24)	238	(24)
Carrying amount	16,428	13,341	19,311	15,785

*Commentary / Whakaaro*

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

## 10 Payables

Accounting Policy / Kaupapahere Kaute

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Short-term payables are recorded at the amount payable.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Trade payables	6,069	3,679	6,276	3,975
Accrued expenses	9,170	8,495	10,464	10,317
Amounts due from related parties	-	-	2,069	1,860
Revenue in advance	3,444	3,135	3,612	3,314
<b>Total</b>	<b>18,683</b>	<b>15,309</b>	<b>22,421</b>	<b>19,466</b>
<b>Total payables comprises:</b>				
Payables from non-exchange transactions	3,444	3,135	3,444	3,135
Payables from exchange transactions	15,239	12,174	18,977	16,331
<b>Total trade and other payables</b>	<b>18,683</b>	<b>15,309</b>	<b>22,421</b>	<b>19,466</b>

## Commentary / Whakaaro

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximate their fair value.

## 11 Property, plant &amp; equipment

Accounting Policy / Kaupapahere Kaute

**Property, plant and equipment** - Consists of: Operational assets (including land, buildings, library books, plant and equipment, motor vehicles and furniture and fittings); Restricted assets (parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions) and Infrastructure assets (the fixed utility systems, each asset class includes all items that are required for the network to function)

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

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

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

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

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

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

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

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

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

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

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

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

**Subsequent Costs** - Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

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

Council Operation Assets	Depreciation Rates	Council Infrastructural Assets	Depreciation Rates
Building - Structure	1%-5% SL	Total Pavement Layers	1.16%-1.23% SL
Building - Roof	1.67% - 3.34% SL	Total Roadway Assets	1.32% - 5% SL
Building - Electrical	2.14% - 3.34% SL	Traffic Signs	3.34% - 4.1% SL
Building - Plumbing	2.14% - 3.34% SL	Street Lights	2.% - 4.94% SL
Building - Internal Fit Out	2.50% - 6.67% SL	Other Asset	1% - 15.35% SL
Building - Plant	1.35% - 6.67% SL	Formation	0%
Library Books	6.85% - 10.59% SL	Stormwater	1%-4% SL
Plant and Equipment	2% - 80% DV	Wastewater	1% - 12.15% SL
Motor Vehicles	21% - 31% DV	Water	1% - 12.15% SL
Monuments and Statues	2% SL		
Hard Surfaces and Appurtenance	1% - 21.6% SL/DV/NOND		
Furniture and Fittings	15% - 33% DV		
<b>Subsidiaries</b>			
Buildings	1%-19.2% SL	Airport Facilities	
Furniture and Fittings	9.6% - 30% DV & 6% - 30% SL	Carpark and Fencing	17% - 21% SL
Plant	8% - 50% DV & 5% - 67% SL	Runway, Apron & Taxiway (Base-course & sub-base)	3% SL
Motor Vehicle	10% - 15.6% DV & 10%-25% SL	Top Surface (Runway)	8.3% SL
Network Assets	1% - 15% SL	Top Surface (Apron and Taxiway)	6.7% SL
		Roads, carparks and stopbanks	1% - 30% SL

## Notes to the Financial Statements

### 11.1 Property, plant and equipment

2023															
	Cost /	Accumulated	Carrying	Additions and	Disposals / De-	Current year	Cost	Depreciation	Impairment	Depreciation	Revaluation	Revaluation	Cost /	Accumulated	Carrying
	Revaluation	depreciation and									adjustment -	adjustment -			
	\$000	impairment	amount	transfers	recognition	disposals	transfers	transfers	charges	\$000	Cost	Accumulated	Revaluation	and impairment	amount
	1-Jul-22	1-Jul-22	1-Jul-22	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	30-Jun-23	30-Jun-23	30-Jun-23
<b>Council operational assets</b>															
Land	25,415	-	25,415	-	-	-	-	-	-	-	-	-	25,415	-	25,415
Buildings	297,393	(186,114)	111,279	2,031	-	-	(1,679)	1,679	-	(6,665)	-	-	297,745	(191,100)	106,645
Library books	4,379	-	4,379	374	-	-	(374)	374	-	(572)	-	-	4,379	(198)	4,181
Plant and equipment	16,189	(12,165)	4,024	752	(84)	67	(5)	5	-	(1,000)	-	-	16,852	(13,093)	3,759
Motor vehicles	5,086	(3,972)	1,114	904	(729)	623	-	-	-	(449)	-	-	5,261	(3,798)	1,463
Furniture and fittings	1,648	(926)	722	120	-	-	-	-	-	(162)	-	-	1,768	(1,088)	680
<b>Total Council operational assets</b>	<b>350,110</b>	<b>(203,177)</b>	<b>146,933</b>	<b>4,181</b>	<b>(813)</b>	<b>690</b>	<b>(2,058)</b>	<b>2,058</b>	<b>-</b>	<b>(8,848)</b>	<b>-</b>	<b>-</b>	<b>351,420</b>	<b>(209,277)</b>	<b>142,143</b>
<b>Council infrastructural assets</b>															
Roads, bridges and footpaths	694,141	(411,873)	282,268	27,146	-	-	(23,405)	23,405	-	(12,312)	36,004	(30,940)	733,886	(431,720)	302,166
Stormwater systems	426,270	(231,867)	194,403	15,183	-	-	(6,703)	6,703	-	(4,493)	-	-	434,750	(229,657)	205,093
Wastewater systems - Treatment plants facilities	64,058	(31,393)	32,665	480	-	-	(480)	480	-	(2,854)	-	-	64,058	(33,767)	30,291
Wastewater systems - Other assets	399,616	(258,386)	141,230	2,621	-	-	(1,028)	1,028	-	(5,003)	-	-	401,209	(262,361)	138,848
Water systems - Treatment plants facilities	31,902	(8,778)	23,124	211	-	-	(211)	211	-	(641)	-	-	31,902	(9,208)	22,694
Water systems - Other assets	400,203	(237,649)	162,554	2,858	-	-	(79)	79	-	(6,150)	-	-	402,982	(243,720)	159,262
Land under roads	45,046	-	45,046	-	-	-	-	-	-	-	-	-	45,046	-	45,046
<b>Total Council infrastructural assets</b>	<b>2,061,236</b>	<b>(1,179,946)</b>	<b>881,290</b>	<b>48,499</b>	<b>-</b>	<b>-</b>	<b>(31,906)</b>	<b>31,906</b>	<b>-</b>	<b>(31,453)</b>	<b>36,004</b>	<b>(30,940)</b>	<b>2,113,833</b>	<b>(1,210,433)</b>	<b>903,400</b>
<b>Council restricted assets</b>															
Land	8,917	-	8,917	-	-	-	-	-	-	-	-	-	8,917	-	8,917
Land - Forestry	1,670	-	1,670	-	-	-	-	-	-	-	-	-	1,670	-	1,670
Monuments and statues	634	(63)	571	624	-	-	-	-	-	(10)	-	-	1,258	(73)	1,185
Hard surfaces and appurtenance	9,034	(1,313)	7,721	209	-	-	(17)	17	-	(407)	-	-	9,226	(1,703)	7,523
<b>Total Council restricted assets</b>	<b>20,255</b>	<b>(1,376)</b>	<b>18,879</b>	<b>833</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>17</b>	<b>-</b>	<b>(417)</b>	<b>-</b>	<b>-</b>	<b>21,071</b>	<b>(1,776)</b>	<b>19,295</b>
<b>Total Council property, plant and equipment</b>	<b>2,431,601</b>	<b>(1,384,499)</b>	<b>1,047,098</b>	<b>53,513</b>	<b>(813)</b>	<b>690</b>	<b>(33,981)</b>	<b>33,981</b>	<b>-</b>	<b>(40,718)</b>	<b>36,004</b>	<b>(30,940)</b>	<b>2,486,324</b>	<b>(1,421,486)</b>	<b>1,064,838</b>
<b>Subsidiaries property, plant and equipment</b>															
Land	2,409	-	2,409	-	-	-	-	-	-	-	-	-	2,409	-	2,409
Terminals	7,256	(1,509)	5,747	88	-	-	-	-	-	(218)	-	-	7,344	(1,727)	5,617
Gravel and fencing	4,337	(1,668)	2,669	161	-	-	-	-	-	(170)	-	-	4,498	(1,838)	2,660
Buildings and yards	14,411	(2,271)	12,140	300	-	-	-	-	-	(936)	696	-	15,407	(3,206)	12,201
Network assets	137,231	(31,630)	105,601	5,149	(105)	35	-	-	-	(4,484)	11,814	-	154,090	(36,079)	118,011
Plant and equipment	2,870	(2,336)	434	130	(9)	9	-	-	-	(97)	-	-	2,891	(2,424)	467
Motor vehicles	2,679	(2,544)	135	1,230	-	-	-	-	-	(45)	-	-	3,909	(2,589)	1,320
Furniture and fittings	5,732	(3,037)	2,695	27	(7)	3	-	-	-	(402)	-	-	5,752	(3,436)	2,316
Runways and taxi ways	14,974	(10,806)	4,168	2,081	-	-	-	-	-	(852)	-	-	17,055	(11,658)	5,397
<b>Total subsidiaries property, plant and equipment</b>	<b>191,899</b>	<b>(55,801)</b>	<b>135,998</b>	<b>9,166</b>	<b>(121)</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,204)</b>	<b>12,510</b>	<b>-</b>	<b>213,355</b>	<b>(62,957)</b>	<b>150,398</b>
<b>Total Group property, plant and equipment</b>	<b>2,623,500</b>	<b>(1,440,300)</b>	<b>1,183,097</b>	<b>62,679</b>	<b>(934)</b>	<b>737</b>	<b>(33,981)</b>	<b>33,981</b>	<b>-</b>	<b>(47,922)</b>	<b>48,514</b>	<b>(30,940)</b>	<b>2,699,679</b>	<b>(1,484,443)</b>	<b>1,215,236</b>

Note: For Council, the carrying amount of the asset is adjusted to the revalued amount by increasing the gross carrying amount and eliminating the accumulated depreciation.  
For subsidiaries, the carrying amount of the asset is adjusted to the revalued amount by increasing the proportionate change in the carrying amount.



# Notes to the Financial Statements

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

## 11.2 Work in progress

## Accounting Policy / Kaupapahere Kaute

Work in progress includes the cost of materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end the period. Capital work in progress is not depreciated.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Buildings	9,113	2,630	9,558	2,761
Network assets	-	-	2,236	1,856
Plant and equipment	167	45	214	60
Motor vehicles	245	-	245	1,102
Roads, bridges and footpaths	778	12,095	778	12,146
Stormwater systems	2,703	13,795	2,703	13,795
Wastewater systems	3,078	27	3,078	27
Water systems	14,825	6,707	14,825	6,707
Hard surfaces and appurtenance	124	-	127	-
Runaways and taxi ways	-	-	16	90
Total work in progress	31,033	35,299	33,780	38,544

## Commentary / Whakaaro

Council has commenced a number of significant capital projects during 2022/2023 of which many were still in progress as at 30 June 2023. These include the Branhholme pipeline project (Water) and Tisbury storage facility (Buildings). Projects completed this year include the City Centre Streetscape project on Esk and Don Streets (Roads, bridges and footpaths) and the Stead Street Stop Bank project (Stormwater).

## 11.3 Core infrastructure asset disclosures

	Closing book value (\$000)	Additions: constructed by Council (\$000)	Additions: transferred to Council (\$000)	Most recent replacement cost estimate for revalued assets (\$000)
<b>2023</b>				
Roads, bridges and footpaths	302,166	27,146	-	733,886
Stormwater systems	205,093	15,183	-	425,879
Wastewater systems - Treatment plants and facilities	30,291	480	-	64,457
Wastewater systems - Other assets	138,848	2,621	-	388,330
Water systems - Treatment plants and facilities	22,694	211	-	31,903
Water systems - Other assets	159,262	2,858	-	390,663
Land under roads	45,046	-	-	159,972
	<b>903,400</b>	<b>48,499</b>	<b>-</b>	<b>2,195,090</b>
<b>2022</b>				
Roads, bridges and footpaths	282,268	6,558	-	692,555
Stormwater systems	194,403	2,647	-	425,879
Wastewater systems - Treatment plants and facilities	32,664	297	-	64,457
Wastewater systems - Other assets	141,230	4,108	-	388,330
Water systems - Treatment plants and facilities	23,124	265	-	31,903
Water systems - Other assets	162,554	2,527	-	390,663
Land under roads	45,046	-	-	159,972
	<b>881,289</b>	<b>16,402</b>	<b>-</b>	<b>2,153,759</b>

*Commentary / Whakaaro*

The replacement cost is based on the replacement cost estimate at the last valuation of the asset class, water systems (2022), wastewater systems (2022), stormwater systems (2022) roads, bridges and footpaths (2023) and land under roads (2005).

## 11.4 Revaluations

### Accounting Policy / Kaupapahere Kaute

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

#### Infrastructural assets:

##### Land under Roads

Land under roads has been valued at deemed cost at transition to NZIFRS. Deemed cost is the fair value being the current valuation at 30 June 2005.

##### Roads, Bridges and Footpaths

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

##### Stormwater, Wastewater and Water Systems

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

#### Vested assets

Certain infrastructure assets and land have been vested in the Council as part of the subdivision consent process. The vested reserve land has been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the 2005 Beca Rating Valuation.

Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and current "in the ground" cost of providing identical services. Unless there is a use or return condition attached to the asset.

#### Review of Asset Estimated Useful Life

During 2023, PowerNet Engineers reviewed and updated the estimated useful life of the Electricity Invercargill Ltd network assets. The review applied consistency across all of the Group network assets and aligned with Regulatory Asset reporting. The review of asset estimated useful life led to a change in the network asset depreciation rates applied within each asset category. This resulted in the range of depreciation rates applied across the network asset categories changing to 1.4%- 50% (2022: 2.0%-6.7%) The underground cable installed post 1985 and cables classified as PILC was most impacted by the change, with the estimated useful life increased from 45 years to 55 and 70 years, respectively. The new rates applied from 1 April 2022 across the network assets resulted to a decrease in the 2023 depreciation cost by \$225,000, with the average annual depreciation rate decreasing to 3.68% (2022: 3.91%).

#### Impairment and Fair Value Assessment

No events or circumstances identified that indicate the electricity network assets may be impaired as at 31 March 2023. Presently the listed assets of the electricity distribution network and other property, plant and equipment are generating business cash flow, the value of the assets are not deemed to require an impairment adjustment.

There have been no significant changes or events that result in a material increase in the value of the network assets that requires an update to valuation to be performed 31 March 2023.

#### Accounting for revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses will be recognised first in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

The replacement costs where appropriate, reflect optimisation due to design or surplus capacity. The Council has estimated that the necessary infrastructural asset network capacity to service the Invercargill City area is 100% of the existing capacity, i.e. no surplus capacity. The valuation of these assets therefore assumes that the existing assets will be replaced with assets of similar capacity.

#### Fair Value Assessment undertaken in 2023

Management has undertaken a fair value assessment of asset values at 30 June 2023. Management considered that the current book value of all assets was reflective of the fair value, with the exception of roading. An indexation of the roading assets has been completed at 30 June 2023.

#### Operational land and buildings

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

Residential and commercial properties have been valued at fair market value in relation to market based evidence.

Specialised buildings have been valued at fair value using optimised depreciated replacement cost because no reliable market data is available for such buildings. Replacement cost rates have been estimated from construction contracts of like assets, reference to publications such as QV Cost Builder, recent costings obtained from construction details and Property Institute of New Zealand's cost information. The effective age of the structures has been sourced from the records held by

Quotable Value Ltd where available, otherwise based on visual inspection. This resulted in a revaluation reserve increase movement of \$46.23 million in 2022.

The Invercargill City Charitable Trust Board property, plant and equipment was valued by Quotable Value Ltd at 30 June 2023 as \$14,100,489, with fair value being determined on the basis of depreciated replacement cost.

#### **Council infrastructural assets**

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

Revaluation resulted in the following increases in 2022:

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

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

For June 2023 roading assets were revalued at management performed the revaluation using indexation, resulting in an increase of \$5.07 million. The indices used for this exercise were the most recent NZTA price indices at 30 June 2023. These indices were selected as they were considered to best reflect the increases for these asset types. The index revaluation was peer reviewed by AIM Consulting Limited (independent valuer).

#### *Optimised Depreciated Replacement Cost (ORDC)*

ORDC requires the determination of quantities of assets optimised to relate to those required for current service delivery and foreseeable demand, unit rates that reflect replacement with modern engineering equivalent assets, effective lives that take into account local influences and depreciation that defines current value given a definable remaining life.

#### **Library books**

Council's library collections were valued by Council staff as at 30 June 2022. All assets were valued using depreciated replacement cost (DRC), being gross replacement cost less accumulated depreciation to date, based on the current age profile compared to useful life. This resulted in an increase in value of \$1.25 million in 2022.

#### **Network assets**

##### **Valuation**

The network assets of Electricity Invercargill Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2023 by Ernst & Young, who is an independent valuer. This resulted in a favourable revaluation movement of \$11,814,000. The valuation is based on seven years forecast free cash flows and a calculated terminal value beyond the discrete cash flow period. The following valuation assumptions were adopted:

- The free cash flows were based on the Company's three year business plan and asset management plan adjusted for transactions that arise from expansionary growth in the network after the date of the valuation.
- Annual inflation based on forecast from the New Zealand Treasury
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 6.1%.
- RAB multiple range of 1.05 times for the terminal value

### 11.5 Insurance of assets (Council)

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)
Total value of all assets covered by insurance contracts	1,920,049	1,413,390
Maximum amount to which these assets are insured	1,946,201	1,448,232

#### Commentary / Whakaaro

Although Council does not have a specific self-insurance fund, Council has a number of reserves available that could be used for this purpose.

In the event of natural disaster, central government may contribute up to 60% towards the restoration of water, drainage, and sewerage assets, and provide a subsidy towards the restoration of roads.

## 12 Intangible assets

Accounting Policy / Kaupapahere Kaute

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

Intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the surplus/deficit in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the estimated useful economic lives of the intangible assets. The amortisation rates for the current period are as follows: Software 12.5 – 48% Straight Line/Diminishing Value.

**Carbon Credits Intangible Asset**

Carbon credits intangible assets that are acquired by Council have been measured at fair value upon acquisition and subsequently revalued to fair value annually. Any revaluation gains/losses are recognised in Other Comprehensive Revenue and Expenses.

## 12.1 Intangible assets

	Council and Group		
	Computer software (\$000)	Carbon credits (\$000)	Total (\$000)
<b>Cost</b>			
Balance at 1 July 2021	2,817	1,401	4,218
Additions	104	-	104
Cost transfers	(104)	-	(104)
Change in fair value	-	1,047	1,047
Balance at 30 June 2022	2,817	2,448	5,265
Additions	605	-	605
Cost transfers	-	-	-
Change in fair value	-	(1,103)	(1,103)
Balance at 30 June 2023	3,422	1,345	4,767
<b>Amortisation and impairment charges</b>			
Balance at 1 July 2021	1,789	-	1,789
Amortisation for the year	401	-	401
Amortisation transfer	(104)	-	(104)
Balance at 30 June 2022	2,086	-	2,086
Amortisation for the year	290	-	290
Amortisation transfer	-	-	-
Balance at 30 June 2023	2,376	-	2,376
<b>Net book value</b>			
Balance at 30 June 2023	1,046	1,345	2,391
Balance at 30 June 2022	731	2,448	3,179
<b>Work in progress</b>			
Balance at 30 June 2023	2,707	-	2,707
Balance at 30 June 2022	812	-	812

*Commentary / Whakaaro***Restrictions**

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

**Carbon credits**

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

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



### 13 Biological assets

#### Accounting Policy / Kaupapahere Kaute

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

The costs to maintain the forestry assets are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

	<b>Council Forestry (\$000)</b>
Balance at 1 July 2021	4,022
Forest assets logged at cost	(136)
Change in fair value less estimated point-of-sale costs	(38)
Balance at 30 June 2022	3,848
Balance at 1 July 2022	3,848
Forest assets logged at cost	(220)
Change in fair value less estimated point-of-sale costs	575
Balance at 30 June 2023	4,203

At 30 June 2023 standing timber comprised approximately 638.3 hectares (2022: 633.2 hectares) of plantations at one location, which range from newly established plantations to plantations that are 50 years old.

The forests are valued annually effective 30 June. The 2023 valuation was performed by Allan Bell & Associates. The following significant assumptions have been adopted in determining the fair value of forestry assets:

- The valuation excludes funding and taxation as costs.
- The valuation method used was the compounded costs and discounted future revenues methods depending on the age of the trees.
- The discount rate is based on the implied pre-tax discount rate from actual transactions (2022: same method). The pre-tax discount rate chosen for the 2023 valuation of the Invercargill City Council's forests is 8% (2022: 7.5%) and the compound rate is 3%. This rate is based on the relatively small size of the forest.
- The valuation excludes any costs associated with future activities of the Council such as those related to enhancing future biological transformation.
- The valuation excludes land as the forests are situated on reserve land.

Biological assets are categorised as Level 3 in the fair value hierarchy.

The Council and Group are exposed to a number of risks related to forestry assets. Refer to the end of this note for further details.

### **Emissions Trading Scheme**

#### **Pre 1990 Forests:**

Pre 1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock through forest growth in a pre 1990 forest, but NZUs are allocated based on the size of the forested area in three tranches. Provided that pre 1990 forests are re-established after harvesting (by replanting or regeneration) there are no liabilities or obligations under the ETS. Landowners of pre 1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

#### **Post 1989 Forests:**

Post 1989 forests are exotic or indigenous forests established after 31 December 1989 on land that was not forest land on 31 December 1989. These forests earn credits under the Kyoto Protocol rules. Therefore they are also known as "Kyoto Protocol compliant" forests. Participating in the ETS is voluntary for post 1989 forest owners. If they are part of the ETS they earn NZUs for the carbon sequestered in the forest from 1 January 2008 but will need to surrender NZUs to the Crown when the carbon held in their trees decreases, either through harvest or natural causes (such as by fire or storm). Any liability for post 1989 participants is capped at the amount of NZUs previously claimed for that area of forest land.

### **Deforestation Liability**

Council has harvested a total of 261.0 hectares of pre 1990 forest. Of this harvested land, 22.67 (2022: 15.9) hectares has not yet been replanted at 30 June 2023 and carries a potential deforestation liability of \$726,116 (2022: \$1,115,087) if the land is not replanted. It is Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

### **Supply and demand risk**

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

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

Management performs regular industry trend analysis to ensure that the Council's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

### **Climate and other risks**

The Council's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

The Council has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The Council also insures itself against natural disasters such as floods, fire, lightning and snow damage.

## 14 Capital commitments and operating leases

Accounting Policy / Kaupapahere Kaute

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

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### 14.1 Commitments

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Capital expenditure - Infrastructure	1,246	7,350	1,246	7,350
Capital expenditure contracted 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

### Commentary / Whakaaro

#### ICC

Council has a number of contracts making up the year end balance including the Branhholme pipeline 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.

## 14.2(a) Operating leases as lessor – investment property

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Non-cancellable operating leases as lessor - investment property</b>				
Not later than one year	1,190	1,376	1,803	1,683
Later than one year and not later than five years	1,869	2,328	3,173	2,996
Later than five years	516	774	693	814
<b>Total non-cancellable operating leases as lessor - investment property</b>	<b>3,575</b>	<b>4,478</b>	<b>5,669</b>	<b>5,493</b>

*Commentary / Whakaaro*

The Council leases its investment property under 41 operating leases. There are 13 leases that have a non-cancellable term of 21 years or more, 14 leases that range between 6 and 20 years, 9 leases from 2 to 5 years, and 5 annual leases.

The Group leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are outlined above.

No contingent rents have been recognised during the period.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does have the option to purchase the asset at the end of the lease term.

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

## 14.2(b) Operating leases as lessor – other

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Non-cancellable operating leases as lessor - other</b>				
Not later than one year	34	114	34	114
Later than one year and not later than five years	135	286	135	286
Later than five years	337	361	337	361
<b>Total non-cancellable operating leases as lessor - other</b>	<b>506</b>	<b>761</b>	<b>506</b>	<b>761</b>

*Commentary / Whakaaro*

The Council leases its other property under operating leases. There are two properties, of which one lease is from 5 to 20 years and the other is longer than 20 years.

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

No contingent rents have been recognised during the period.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition.

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

## 14.3 Operating leases as lessee

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Non-cancellable operating leases as lessee</b>				
Not later than one year	120	172	120	172
Later than one year and not later than five years	50	39	50	39
Later than five years	117	-	117	-
<b>Total non-cancellable operating leases as lessee</b>	<b>287</b>	<b>211</b>	<b>287</b>	<b>211</b>

*Commentary / Whakaaro*

The Council has leased 4 properties under operating leases in the normal course of its business. There are 2 annual leases, which are less than 5 years.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are detailed above. No contingent rents have been recognised during the period.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

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

**15 Non-current assets held for resale****Accounting Policy / Kaupapahere Kaute**

There are no assets currently held for resale by the Council or the Group.

**16 Investment property****Accounting Policy / Kaupapahere Kaute**

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

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

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

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

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

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

	<b>Council Actual 2023 (\$000)</b>	<b>Council Actual 2022 (\$000)</b>	<b>Group Actual 2023 (\$000)</b>	<b>Group Actual 2022 (\$000)</b>
Balance at 1 July	26,761	28,113	32,266	33,283
Acquisitions	-	1,818	-	1,818
Disposals	(200)	(700)	(200)	(700)
Transfer (to) from property, plant and equipment	-	(1,840)	-	(1,840)
Change in fair value	395	(630)	720	(295)
Balance at 30 June	26,956	26,761	32,786	32,266

**Commentary / Whakaaro**

Disposals are for the sale of 90 Mersey Street.

Investment property comprises a number of commercial properties that are leased to third parties.

Vacant land that has been acquired via purchase, abandonment or rating sale is included as Investment Property. This land is classed as Investment Property due to the intention for the land to be sold for a profit. The preparation for the sale is undertaken by the Property department and the funds are returned to Investment Property activity to assist in offsetting the rates burden.

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

The Group's investment properties are valued annually at fair value effective 30 June. Group Investment properties are held by Council and Invercargill Airport Limited. For 2023 and 2022, all investment properties were valued based on the income approach and comparable sales approach except for one property being less than 5% of the portfolio value. This property is planned to be demolished within the next year but no decision has been made on its replacement (2022: one of these properties is planned to be replaced within the next year and the other is planned to be replaced within the next two years), hence the open market evidence valuation has been adjusted by management to be valued on a discounted cash flow basis of their remaining expected earnings. The 2023 and 2022 valuations were performed by Robert Todd, an independent valuer from TelferYoung. The valuer is an experienced valuer who holds a recognised and relevant professional qualification and has extensive market knowledge in the types of investment properties owned the Group.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties, or for repairs, maintenance and enhancements.

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

Reconciliation of net surplus on investment properties	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Rental revenue derived from investment properties	1,233	1,281	1,233	1,281
Direct operating expenses (including repairs and maintenance) generating rental revenue	(580)	(421)	(580)	(421)
Direct operating expenses (including repairs and maintenance) that did not generate rental revenue	(62)	(1,102)	(62)	(1,102)
Surplus/(Deficit) arising from investment properties carried at fair value	591	(242)	591	(242)

## 17 Investments in associates and joint arrangements

### Accounting Policy / Kaupapahere Kaute

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

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

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

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

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

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

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

## 17.1 Investment in Associates

	Percentage held by Group		Balance date
	2023	2022	
<b>Associate entities</b>			
Emergency Management Southland	28.30%	28.30%	30-Jun
Southland Regional Heritage Committee	63.00%	63.00%	30-Jun
Lakeland Network Limited (former Electricity Southland Limited)	24.90%	24.90%	31-Mar
HWCP Management Limited	49.90%	49.90%	30-Jun
Southland Regional Development Agency Limited trading as Great South	48.70%	48.70%	30-Jun

## Movement in carrying value of associates

	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Balance at 1 July	5,193	5,054
Share of profit/(loss)	2,346	139
Revaluation gain on network assets	928	-
Balance at 30 June	8,467	5,193



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

	Cash and cash equivalents (\$000)	Current assets (\$000)	Non-current assets (\$000)	Total assets (\$000)	Current liabilities (\$000)	Non-current liabilities (\$000)	Total liabilities (\$000)	Net assets (\$000)
<b>2023</b>								
Emergency Management Southland	-	882	-	882	-	-	-	882
Southland Regional Heritage Committee	687	411	4	1,102	288	-	288	814
Lakeland Network Limited (former Electricity Southland Limited)	205	630	52,238	53,073	1,917	26,197	28,114	24,959
HWCP Management Limited	25	16	1,975	2,016	160	4,060	4,220	(2,204)
Southland Regional Development Agency Limited trading as Great South	2,145	2,126	2,358	6,629	3,571	-	3,571	3,058
	3,062	4,065	56,575	63,702	5,936	30,257	36,193	27,509
<b>2022</b>								
Emergency Management Southland	-	180	-	180	-	-	-	180
Southland Regional Heritage Committee	618	400	7	1,025	206	56	262	763
Lakeland Network Limited (former Electricity Southland Limited)	175	759	40,807	41,741	2,188	18,697	20,885	20,856
HWCP Management Limited	61	3,757	498	4,316	5,419	-	5,419	(1,103)
Southland Regional Development Agency Limited trading as Great South	9,509	2,641	1,800	13,950	11,292	-	11,292	2,659
	10,363	7,737	43,112	61,212	19,105	18,753	37,858	23,355

	Operating revenue (\$000)	Interest revenue (\$000)	Interest expense (\$000)	Depreciation (\$000)	Profit before tax from continuing activities (\$000)	Income tax expense (\$000)	Profit after tax (\$000)
<b>2023</b>							
Emergency Management Southland	1,867	-	-	23	315	-	315
Southland Regional Heritage Committee	2,106	44	-	2	296	-	296
Lakeland Network Limited (former Electricity Southland Limited)	4,955	-	1,326	962	655	(277)	378
HWCP Management Limited	-	-	274	1	(322)	-	(322)
Southland Regional Development Agency Limited trading as Great South	9,383	76	6	108	558	(158)	400
	18,311	120	1,606	1,096	1,502	(435)	1,067
<b>2022</b>							
Emergency Management Southland	1,339	-	-	20	371	-	371
Southland Regional Heritage Committee	2,170	9	-	6	224	-	224
Lakeland Network Limited (former Electricity Southland Limited)	4,024	(493)	-	-	927	(370)	557
HWCP Management Limited	-	-	-	-	(479)	-	(479)
Southland Regional Development Agency Limited trading as Great South	9,222	30	2	277	1,064	(270)	794
	16,755	(454)	2	303	2,107	(640)	1,467

*Commentary / Whakaaro*

The initial investment in HWCP Management Limited of \$200,000 has been reduced to nil after the share of losses have been recognised. Further losses of \$1,101,986 (2022: 551,968) have not been recognised as the Group's share of the losses exceeds its interest in the associate.

The HWCP Management Limited associate has contingent liabilities as at 30 June 2023 of \$nil (2022: nil).

**17.2 Investment in joint ventures**

	Percentage held by Group		Balance date
	2023	2022	
<b>Joint ventures</b>			
Venture Southland	0.0%	41.7%	30-Jun
PowerNet Limited Group	50.0%	50.0%	31-Mar
OtagoNet Joint Venture	24.9%	24.9%	31-Mar
Roaring Forties Energy Limited Partnership	50.0%	50.0%	31-Mar
Invercargill Central Limited	45.8%	45.8%	30-Jun

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

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

	Cash and cash equivalents (\$000)	Current assets (\$000)	Non-current assets (\$000)	Total assets (\$000)	Current liabilities (\$000)	Non-current liabilities (\$000)	Total liabilities (\$000)	Net assets (\$000)
<b>2023</b>								
Venture Southland	-	-	-	-	-	-	-	-
PowerNet Limited Group	463	23,024	44,701	68,188	13,014	49,546	62,560	5,628
OtagoNet Joint Venture	82	3,129	240,565	243,776	5,414	-	5,414	238,362
Roaring Forties Energy Limited Partnership	45	33	80,197	80,275	55	-	55	80,220
Invercargill Central Limited	435	1,351	70,385	72,171	4,705	80,600	85,305	(13,134)
	1,025	27,537	435,848	464,410	23,188	130,146	153,334	311,076
<b>2022</b>								
Venture Southland	180	-	-	180	-	-	-	180
PowerNet Limited Group	616	21,366	43,255	65,237	10,409	49,212	59,621	5,616
OtagoNet Joint Venture	994	3,793	218,613	223,400	4,946	693	5,639	217,761
Roaring Forties Energy Limited Partnership	23	-	84,235	84,258	19	-	19	84,239
Invercargill Cental Limited	-	1,592	144,205	145,797	7,050	47,300	54,350	91,447
	1,813	26,751	490,308	518,872	22,424	97,205	119,629	399,243

\* Venture Southland was liquidated during 2023.

	Operating revenue (\$000)	Interest revenue (\$000)	Interest expense (\$000)	Depreciation (\$000)	Profit before tax from continuing activities (\$000)	Income tax expense (\$000)	Profit after tax (\$000)
<b>2023</b>							
Venture Southland*	-	-	-	-	-	-	-
PowerNet Limited Group	92,499	-	3,595	3,599	1,300	13	1,313
OtagoNet Joint Venture	29,004	1	24	9,093	6,178	-	6,178
Roaring Forties Energy Limited Partnership	6,788	-	-	-	6,470	-	6,470
Invercargill Central Limited	4,848	7	2,349	947	(104,580)	-	(104,580)
	133,139	8	5,968	13,639	(90,632)	13	(90,619)
<b>2022</b>							
Venture Southland	-	-	-	-	-	-	-
PowerNet Limited Group	85,311	8	2,413	3,592	3,073	(783)	2,290
OtagoNet Joint Venture	31,572	2	-	(8,133)	10,235	-	10,235
Roaring Forties Energy Limited Partnership	5,616	-	-	-	5,295	-	5,295
Invercargill Central Limited	284	-	-	25	(1,581)	-	(1,581)
	122,783	10	2,413	(4,516)	17,022	(783)	16,239

\* Venture Southland was liquidated during 2023.

### **Impairment of Invercargill Central Limited's Investment Property**

For the year ended 30 June 2023, an impairment assessment with regards to the investment property was completed by Invercargill Central Limited (ICL). This is a recently constructed asset, occupied in stages over the year and is not yet wholly complete. There is no physical damage or obsolescence to the building and no change to the expected use of it. Over the long term rental income projections have improved, and ICL Directors are looking at recapitalisation to lower the increasing interest rates. The view of the ICL Directors is that the investment property has been built to hold over the long term for public benefit, and that if it were to be built now, would cost significantly more. A property valuation was compiled by CBRE, independent valuation experts, which indicated the fair value of ICL's investment property at 30 June 2023 to be \$69,800,000. The carrying value as at 30 June 2023 was \$173,509,208. Given the carrying value of the investment property exceeded its recoverable amount, an impairment expense of \$103,709,208 has been recognised for the year ended 30 June 2023.

The market value based property valuation report compiled by CBRE includes the following key assumptions:

- Valuation of investment property as complete less remaining costs to complete - \$69,800,000
- Valuation of investment property as complete - \$78,500,000
- Internal Rate of Return - 10.75%
- Terminal yield - 7.75%
- Initial yield - 7.30%

While the review of the ICL's investment property assets indicated an impairment, ICL Management considers the commercial yields generated by the investment property to be acceptable. In their report, CBRE found the quality of the design and finishes of the property are at the very upper end of retail complexes throughout New Zealand. Rewards of the high-quality build are expected to be reaped over the long term through realisation of strong income growth into the future. The tenants are currently trading well and affordability levels are good. Conclusions within the CBRE report are based on data and market sentiment as at date of valuation.

As a result of this impairment, ICL's equity is in a negative position as at 30 June 2023. As such, the Council has recognised an impairment expense of \$41.885million with regards to the Council's investment in Invercargill Central Limited as at 30 June 2023. This impairment has reduced the carrying value of the Council investment in Invercargill Central Limited to Nil as at 30 June 2023

Movement in carrying value of joint ventures	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Balance at 1 July	139,187	132,182
Investments in joint ventures	-	8,477
Share of profit/(loss)	5,019	4,854
Revaluation gain on network assets	4,562	(6,326)
Impairment of joint venture	(41,885)	-
Distributions	(6,565)	-
Balance at 30 June	100,318	139,187

### 17.3 Joint Operation

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

The Council's interest in WasteNet is as follows:

	Actual 2023 (\$000)	Actual 2022 (\$000)
Current assets	2,325	1,608
Current liabilities	1,277	863
Reserves	745	656
Profit	304	89

## 18 Other financial assets

Accounting Policy / Kaupapahere Kaute

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

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

### Financial assets measured at amortised cost

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

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

### Fair value through other comprehensive revenue or expense (FVTOCRE)

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

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

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

### Fair value through surplus or deficit

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

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

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

### Shares in subsidiaries (at cost)

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

### Impairment of financial assets

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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



## 18.1 Other financial assets

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Current financial assets</b>				
LGFA Borrower notes	285	-	1,035	-
Loans to related parties	-	-	-	-
Short term deposits	18,388	24,960	18,388	24,960
<b>Total current financial assets</b>	<b>18,673</b>	<b>24,960</b>	<b>19,423</b>	<b>24,960</b>
<b>Non-current financial assets</b>				
Loans to related parties	23,318	12,800	23,318	12,800
LGFA Borrower notes	1,023	1,308	2,228	1,308
Other investments	49	49	167	1,872
Equity share investments	1,061	1,120	1,061	1,120
<b>Total non-current financial assets</b>	<b>25,451</b>	<b>15,277</b>	<b>26,774</b>	<b>17,100</b>
<b>Total other financial assets</b>	<b>44,124</b>	<b>40,237</b>	<b>46,197</b>	<b>42,060</b>
<b>Investments in Subsidiaries</b>				
Investment in subsidiary - Ordinary share value	76,569	76,569	-	-
	<b>76,569</b>	<b>76,569</b>	<b>-</b>	<b>-</b>

*Commentary / Whakaaro*

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

During the 2023 financial year Council advanced Invercargill Central Limited (ICL) \$13 million (2022: \$12.8 million) in loan funding for its city centre development taking the total to \$25.8 million. Interest is charged at market rates on the loan. The loan to ICL has a 31 December maturity date. During the year Council and ICL have been negotiating the extension of the loan agreement. At balance date a final decision had not been reached.

Subsequent to balance date on 14 September Council commenced a public consultation that included restructuring the term of the facility to 15 years and potentially increasing the size of the facility. Final deliberations on the consultation will be held on 7 November.

As described in Note 19.5, an impairment expense of 2.492 million was recorded in the statement of FP for the year end 30 June 2023.

## 19 Derivatives and Borrowing

### 19.1. Derivatives

#### Accounting Policy / Kaupapahere Kaute

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

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

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

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

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Current derivative financial instruments</b>				
Interest rate swaps (cash flow hedges) - assets	-	-	133	-
Interest rate swaps (cash flow hedges) - liabilities	-	-	-	(61)
	-	-	133	(61)
<b>Non-current derivative financial instruments</b>				
Interest rate swaps (cash flow hedges) - assets	751	481	2,100	1,124
	751	481	2,100	1,124
<b>Total derivative financial instruments</b>	751	481	2,233	1,063

## 19.2 Borrowings and other financial liabilities

Accounting Policy / Kaupapahere Kaute

**Interest-bearing borrowings**

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

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

**Borrower notes**

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to 2.5% of the total borrowing from LGFA. LGFA will redeem borrower notes when the Council's related borrowings are repaid or no longer owed to LGFA.

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

**Financial guarantee contracts**

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

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

Financial guarantees are subsequently measured at the higher of:

- the amount determined in accordance with the ECL model; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Current</b>				
Secured loans	-	20,373	-	43,119
LGFA Debt	70,799	12,989	113,818	12,989
Total Current	70,799	33,362	113,818	56,108
<b>Non-current</b>				
LGFA Debt	53,500	68,500	101,700	136,700
Other secured loans	200	200	200	200
Total Non-Current	53,700	68,700	101,900	136,900
Total Borrowings	124,499	102,062	215,718	193,008

*Commentary / Whakaaro*

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

Council also has a \$10 million multi-option facility which expires on 12 November 2025. The undrawn amount of this facility is \$10 million. Subsequent to balance date this facility was renewed.

The Council's secured loans are largely issued at fixed rates of interest. The \$10 million of secured debt held at floating rate, the interest rate is reset quarterly based on the 90 day bank bill rate.

Council has issued \$123.2million of bonds and notes (2022: \$101.3 million) with security being a charge over the rates revenue of the issuer. Terms of the bonds are between one and eight years.

The debentures are at fixed and floating interest rates. The floating interest rate is reset quarterly based on the NZD-BBR- FRA rate (from BKBM page) plus a margin for credit risk.

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Less than one year	70,799	33,362	113,818	56,108
Later than one year but no more than five years	53,700	68,500	101,900	136,700
Later than five years	-	200	-	200
	124,499	102,062	215,718	193,008

Interest rates on the Council secured loans have an effective interest rate of 2.33 % (2022: 2.24%) with hedging refer to Note 19.3. Other Group loans have an effective interest rate of 3.96% (2022: 2.94%) with hedging refer Note 19.3.

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

## 19.3 Hedging activities and derivatives

Council 2023		Maturity dates			Total	(\$000)
Carrying amount (\$000)	Contractual cash flows (\$000)	< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)		
<b>Financial assets</b>						
Derivative financial instruments	751	486	247	(22)		711
Total financial assets	751	486	247	(22)		711

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

Group 2023		Maturity dates			Total	(\$000)
Carrying amount (\$000)	Contractual cash flows (\$000)	< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)		
<b>Financial assets</b>						
Derivative financial instruments	2,233	1,171	797	(114)		1,854
Total financial assets	2,233	1,171	797	(114)		1,854

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

The notional values of interest rate swaps are summarised below:

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
	Liability	Liability	Liability	Liability
Maturity < 1 year	5,000	6,000	22,500	23,000
Maturity 1-2 years	10,000	5,000	20,000	22,500
Maturity 2-3 years	5,000	10,000	19,000	20,000
Maturity 3-4 years	4,000	5,000	12,000	19,000
Maturity 4-5 years	-	4,000	8,000	12,000
Maturity 5-6 years	-	-	-	8,000
	24,000	30,000	81,500	104,500

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

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

Council and Group derivative financial instruments include the following:

#### **Interest rate swaps**

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

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

At 30 June 2023, the Council had interest rate swaps in place with a notional amount of \$24 million (2022: \$30 million) where the Council pays an average fixed interest rate of 3.12% (2022: 3.07%). This interest rate is used to determine the fair value (mark to market) of the swaps at balance date.

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

There are two types of hedge economic relationships:

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

The hedge ineffectiveness can arise from:

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

The ineffectiveness is recognised in surplus or deficit.

## 19.4 Classification and fair value of financial instruments

## Accounting Policy / Kaupapahere Kaute

**Categories of financial assets and liabilities**

Financial instruments are classified into one of the following categories:

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

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

**Fair value of financial instruments**

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

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

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

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

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

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

For those financial instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the group and the council is the bid price at balance date.

Level 2 - Inputs other than quoted prices included within Level 1 using observable market inputs for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the assets or liability that are not based on observable market data

Refer to Note 19.4 for the valuation techniques used to value derivative financial instruments and other financial assets, respectively.

For the purpose of measurement, the group's and council's financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and loss
Fair value through surplus or deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Financial assets at amortised cost	Amortised cost less provision for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit

Derivatives are, by their nature, categorised as fair value through surplus or deficit unless they are designated into a hedge relationship for which hedge accounting is applied.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenses arising as a result of financial instrument earnings or fair value adjustments are recognised on a net-basis for like items.

The fair value hierarchy for the council and group are as follows:

		Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
	Level				
<b>Financial assets at fair value through surplus or deficit</b>					
LGFA Borrower notes	2	1,308	1,308	3,263	1,308
Loans to related parties	2	23,318	12,800	23,318	12,800
Other investments	3	49	49	167	1,872
Equity share investments	3	1,061	1,120	1,061	1,120
		25,736	15,277	27,809	17,100
<b>Financial assets at fair value through other comprehensive revenue and expenditure</b>					
Derivative assets	2	751	481	2,233	1,124
<b>Total financial assets</b>		26,487	15,758	30,042	18,224
Derivative liabilities		-	-	-	61
<b>Total financial liabilities</b>		-	-	-	61

	Carrying Amount (\$000)	Council 2023 Fair value (\$000)	Carrying Amount (\$000)	Council 2022 Fair value (\$000)
<b>Assets</b>				
<b>Financial assets at fair value through surplus or deficit</b>				
LGFA Borrower notes	1,308	1,308	1,308	1,308
Loans to related parties	23,318	23,318	12,800	12,800
Other investments	49	49	49	49
Equity share investments	1,061	1,061	1,120	1,120
	25,736	25,736	15,277	15,277
<b>Financial assets at fair value through other comprehensive revenue and expenditure</b>				
Derivative assets	751	751	481	481
<b>Financial assets at amortised cost</b>				
Cash & cash equivalents	15,443	15,443	18,596	18,596
Receivables (excluding GST receivables & rates debtors)	12,660	12,660	9,498	9,498
Short term deposits	18,388	18,388	24,960	24,960
	46,491	46,491	53,054	53,054
<b>Total assets</b>	145,205	145,205	137,143	137,143
<b>Liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Borrowings	124,499	124,499	102,062	102,062
Payables & accruals (excluding income received in advance)	15,239	15,239	12,174	12,174
<b>Total Liabilities</b>	139,738	139,738	114,236	114,236



	Group 2023		Group 2022	
	Carrying Amount (\$000)	Fair value (\$000)	Carrying Amount (\$000)	Fair value (\$000)
<b>Assets</b>				
<b>Financial assets at fair value through surplus or deficit</b>				
LGFA Borrower notes	3,263	3,263	1,308	1,308
Loans to related parties	23,318	23,318	12,800	12,800
Other investments	167	167	1,872	1,872
Equity share investments	1,061	1,061	1,120	1,120
	27,809	27,809	17,100	17,100
<b>Financial assets at fair value through other comprehensive revenue and expenditure</b>				
Derivative assets	2,233	2,233	1,124	1,124
<b>Financial assets at amortised cost</b>				
Cash & cash equivalents	19,245	19,245	24,352	24,352
Receivables (excluding GST receivables & rates debtors)	15,411	15,411	12,017	12,017
Short term deposits	18,388	18,388	24,960	24,960
	53,044	53,044	61,329	61,329
<b>Total assets</b>	83,086	83,086	79,553	79,553
<b>Liabilities</b>				
<b>Financial liabilities at fair value through surplus or deficit</b>				
Derivative	-	-	61	61
<b>Financial liabilities at amortised cost</b>				
Borrowings	215,718	215,718	193,008	193,008
Payables & accruals (excluding income received in advance)	18,809	18,809	16,152	16,152
	234,527	234,527	209,160	209,160
<b>Total Liabilities</b>	234,527	234,527	209,160	209,160

**Commentary / Whakaaro**

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

## 19.5 Financial risk management

*Risk Management Policy / Kaupapahere Whakahaere Risk***Financial risk management objectives**

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

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

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

**Financial risks**

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

**Credit risk**

Credit risk is the risk that a third party will default on its obligation to the Council, causing the Council to incur a loss. The Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

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

The Council only invests funds in deposits with registered banks and local authority stock, and its investment policy limits the amount of credit exposure to any one institution or organisation.

The Council and group are exposed to credit risk through loan investments. Should there be events which lead to a change in the credit quality of the loans including but not limited to increases in interest rates it will be necessary to consider whether the loans are impaired or not.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Electricity Invercargill Limited group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities.

For counterparties with credit ratings, the cash at bank and deposits are held in banks with credit ratings from BBB+ to AA-. Derivative financial instrument assets are held with banks with credit ratings of AA-. For counterparties without credit ratings, the community (non-subsidiary) and related party loans are with parties that have had no defaults in the past.

The carrying amount of financial assets represents the maximum credit exposure. Impairment losses on financial assets recognised in surplus or deficit were as follows:

	2023	2022
	(\$,000)	(\$,000)
Impairment loss on related party loan receivable	2,492	-

During 2022 the Council entered into a loan facility with Invercargill Central Limited (ICL). The loan facility was provided by ICC and HWR Finance Limited (HWRF). The total amount of the facility is \$60m. With both Council and HWRF funding 50:50 for the first \$45.5m and 60:40 for the final \$14.5m. As a result, the total of the facility provided by ICC is \$31.45m. As at 30 June 2023, ICL had drawn down the facility \$ 25.810m.

Interest on both loan facilities is charged at the 90-day BKMB rate plus a margin of 2.80% which is reset every 90 days. At 30 June 2023 no principal payments had been made on either loan facilities (2022: Nil). Both facilities are due to be settled in full on 31 December 2024. ICL's pre-tax cost of debt is consistent with yields observed for BB credit ratings.

Security on the loan is provided by a \$45.5 million first mortgage to ICC and HWRF over ICL's land and development in shopping centre and car park.

Loan default is viewed as the inability for the borrower to satisfy their obligations when they become due. The external factors that signal increased risk of loan default is deemed to be value of the loan collateral and fluctuations of interest rates.

#### Value of collateral

As described in Note 17, independent valuation experts CBRE completed market value-based valuation of ICL investment property. The value of the investment property was determined to be

- Valuation of investment property as complete less remaining costs to complete: \$69.8m
- Valuation of investment property as complete: \$78.5m

At this level there is insufficient collateral to support the full ICC/HWRF facility which at 30 June 2023 has \$50.6 million (\$25.8 million ICC and \$24.78 million HWRF) drawn down. Under the loan agreements the first \$45.5 million of the facility has the first mortgage security. At 30 June 2023 \$3.06 million is secured by the third mortgage and for the purposes of the expected credit loss calculation has a much more significant expected loss.

As further highlighted in note 17, the positive commercial yields of ICL investment property, quality of the build and prospect of strong future revenue growth are consistent with the Council's long term investment objectives.

#### Interest rates

During the year ended June 2023, there was a significant increase in interest rates which had not been forecast at the time of entering into the ANZ loan facility and in financial modelling of the development. The BKBM moved from 1.58% in March 2022 to 4.71% at the start of January 2023 and 5.7% at 1 July 2023. The increased interest rates meant that ICL would not be able to access the full \$45.5 million of the ANZ facility in December 2023 as it could not meet the loan covenants required.

#### Expected credit loss

An expected credit loss for the loan has been calculated on the remaining life of the loan given the deterioration of credit risk as a result of the decrease in value of the security and that the total facility has now exceeded the first mortgage security. The likelihood of default is deemed to be 70%, resulting in an impairment expense of \$2.492m recognised in the Statement of Financial Performance for the year ended 30 June 2023. The below table summarises the loan impairment as a result of increasing probability of default.

Probability of default	\$(000)
50%	1,792
60%	2,142
70%	2,492
80%	2,843
90%	3,193
100%	3,543

As described in note 29, a refinancing proposal has been presented for public consultation with regards to restructuring the ICC/HWRF loan facility.

#### Liquidity Risk

Liquidity risk represents Council's and the Group's ability to meet their contractual obligations. Council and Group evaluate their liquidity requirements on an ongoing basis. In general, Council and the Group generate sufficient cash flows from their operating activities to meet their contractual obligations arising from their financial liabilities and have credit lines in place to cover potential shortfalls and meet capital expenditure requirements. Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months.

The Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the Council's Long-term Plan.

The Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in Note 19.5(b).

**Market risk**

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

**Interest rate risk**

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

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

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

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

**Currency risk**

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

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

**Price risk**

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

The Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the Council's investment portfolio in accordance with the limits set out in the Council's Investment policy.

**Commodity price and demand risk**

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

**19.5(a) Interest rate risk management**

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

The financial assets and liabilities are exposed to interest rate risk as follows:

**Financial assets**

Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non-interest bearing
Dividends receivable	Non-interest bearing
Derivative financial instruments (interest rate swaps)	Variable interest rates
Advances	Fixed and variable interest rates
Short term investments	Variable interest rates

**Financial liabilities**

Trade and other payables	Non-interest bearing
Dividends payable	Non-interest bearing
Advances	Variable interest rates
Borrowings - secured loans	Fixed and variable interest rates
Derivative financial instruments (interest rate swaps)	Variable interest rates

*Commentary / Whakaaro*

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

**Effectiveness of cash flow hedges**

The matched items method is used in applying hedges. In all cases the terms of both the hedge instrument (interest rate swap derivative) and the underlying transaction are matched.

	Council 2023 %	Council 2022 %	Group 2023 %	Group 2022 %
Effectiveness	100	100	100	100

**Sensitivity analysis on financial instruments**Investments:

If interest rates on investments at 30 June 2023 had fluctuated by plus or minus 1%, (2022: 1%) the effect would have been to decrease/increase the surplus after tax by \$424,888 (2022: \$210,111).

Borrowings:

If interest rates on borrowings at 30 June 2023 had fluctuated by plus or minus 1%, (2022: 1%) the effect would have been to decrease/increase the surplus after tax. This is as a result of higher/lower interest expense on floating rate borrowings for Council by \$92,548 (2022: \$300,000) and for Invercargill City Holdings Limited \$107,062 (2022: \$227,870).

Cash and cash equivalents:

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 1% (2022: 1%) movement in rates is immaterial as these cash deposits are very short term.

Derivative asset: Cash flow hedge

The derivatives are hedge accounted and managed by the company to be 100% effective and thus there is no sensitivity to the profit and loss to change in the interest rates.

Sensitivity to a 1% (2022: 1%) movement in rates is as follows and affects the equity balance of the Group Interest rate sensitivity analysis

Interest rate swaps	Carrying amount	Equity change	
	Year 2023 (\$000)	1% (\$000)	-1% (\$000)
Council	(751)	337	(345)
Invercargill City Holdings Limited	(1,482)	846	(875)
	(2,233)	1,183	(1,220)

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

#### 19.5(b) Liquidity risk management

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

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

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

#### *Commentary / Whakaaro*

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

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

Council 2023		Maturity dates					
	Carrying amount (\$'000)	Contractual cash flows (\$'000)	< 1 Year (\$'000)	1 - 3 Years (\$'000)	> 3 Years (\$'000)	Total	(\$'000)
<b>Financial assets</b>							
Cash, cash equivalents and bank overdrafts	15,443	15,443	15,443	-	-	15,443	
Receivables	16,428	16,428	16,428	-	-	16,428	
Equity share investments	1,061	1,061	-	-	1,061	1,061	
Short term investments	18,388	18,388	18,388	-	-	18,388	
Other investments	24,675	28,293	27,214	647	432	28,293	
<b>Total financial assets</b>	<b>75,995</b>	<b>79,613</b>	<b>77,473</b>	<b>647</b>	<b>1,493</b>	<b>79,613</b>	
<b>Financial liabilities</b>							
Trade and other payables	18,683	18,683	18,683	-	-	18,683	
Borrowings - secured loans	124,499	129,853	73,402	35,273	21,178	129,853	
<b>Total financial liabilities</b>	<b>143,182</b>	<b>148,536</b>	<b>92,085</b>	<b>35,273</b>	<b>21,178</b>	<b>148,536</b>	
<b>Council 2022</b>							
	Carrying amount (\$'000)	Contractual cash flows (\$'000)	< 1 Year (\$'000)	1 - 3 Years (\$'000)	> 3 Years (\$'000)	Total	(\$'000)
<b>Financial assets</b>							
Cash, cash equivalents and bank overdrafts	18,596	18,596	18,596	-	-	18,596	
Receivables	13,341	13,341	13,341	-	-	13,341	
Equity share investments	1,120	1,120	-	-	1,120	1,120	
Short term investments	24,960	24,960	24,960	-	-	24,960	
Other investments	14,157	15,185	620	13,628	937	15,185	
<b>Total financial assets</b>	<b>72,174</b>	<b>73,202</b>	<b>57,517</b>	<b>13,628</b>	<b>2,057</b>	<b>73,202</b>	
<b>Financial liabilities</b>							
Trade and other payables	15,309	15,309	15,309	-	-	15,309	
Borrowings - secured loans	102,062	107,682	34,970	32,264	40,448	107,682	
<b>Total financial liabilities</b>	<b>117,371</b>	<b>122,991</b>	<b>50,279</b>	<b>32,264</b>	<b>40,448</b>	<b>122,991</b>	

## Group 2023

	Carrying amount (\$000)	Contractual cash flows (\$000)	Maturity dates			Total	(\$000)
			< 1 Year (\$000)	1 - 3 Years (\$000)	> 3 Years (\$000)		
<b>Financial assets</b>							
Cash, cash equivalents and bank overdrafts	19,245	19,245	19,245	-	-	19,245	
Receivables	19,311	19,311	19,311	-	-	19,311	
Equity share investments	1,061	1,061	-	-	1,061	1,061	
Short term investments	18,388	18,388	18,388	-	-	18,388	
Other investments	26,748	30,408	28,019	1,726	663	30,408	
<b>Total financial assets</b>	<b>84,753</b>	<b>88,413</b>	<b>84,963</b>	<b>1,726</b>	<b>1,724</b>	<b>88,413</b>	
<b>Financial liabilities</b>							
Trade and other payables	22,421	22,421	22,421	-	-	22,421	
Advances	3,938	3,938	-	-	3,938	3,938	
Borrowings - secured loans	215,718	226,973	118,349	78,141	30,483	226,973	
<b>Total financial liabilities</b>	<b>242,077</b>	<b>253,332</b>	<b>140,770</b>	<b>78,141</b>	<b>34,421</b>	<b>253,332</b>	

## Group 2022

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



## 20 Provisions

*Accounting Policy / Kaupapahere Kaute***Provisions**

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

**Landfill Post Closure Costs**

The Council has a legal obligation under the Resource Consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure. The discount rate applied is 7% which represents the risk free discount rate.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Landfill aftercare provision</b>				
Balance 1 July	928	928	928	928
Balance at 30 June	928	928	928	928
Current	112	112	112	112
Non-current	816	816	816	816
<b>Total Provisions</b>	<b>928</b>	<b>928</b>	<b>928</b>	<b>928</b>

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

**Closure responsibilities**

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

**Post-closure responsibilities**

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

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

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

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

## 21 Employee benefit liabilities

### Accounting Policy / Kaupapahere Kaute

#### Short-term benefits

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

#### Long-term benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses in the period in which they arise.

#### Superannuation schemes

Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expenses as incurred.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Accrued pay	1,099	942	1,099	942
Annual leave	1,808	1,763	1,977	1,890
Long service leave	261	278	261	278
Retirement gratuities	642	724	642	724
	3,810	3,707	3,979	3,834
Current	3,783	3,682	3,952	3,809
Non-current	27	25	27	25
Total employee benefit liabilities	3,810	3,707	3,979	3,834

### Commentary / Whakaaro

#### Employee Entitlements

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

#### Non-Current Entitlements

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

## 22 Equity

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
<b>Retained earnings</b>				
As at 1 July	398,173	376,475	476,764	456,501
Transfers to:				
Restricted and non-restricted reserves	(20,270)	(38,225)	(20,270)	(38,225)
Transfers from:				
Restricted and non-restricted reserves	11,364	53,334	11,364	53,334
Transfer of revaluation reserve to retained earnings	-	-	8	25
Surplus/(Deficit) for the year	(10,748)	6,589	(51,185)	5,129
As at 30 June	378,519	398,173	416,681	476,764
<b>Restricted and non-restricted reserves</b>				
As at 1 July	29,778	44,887	29,778	44,887
Transfers to retained earnings	(11,364)	(53,334)	(11,364)	(53,334)
Transfers from retained earnings	20,270	38,225	20,270	38,225
As at 30 June	38,684	29,778	38,684	29,778
<b>Hedging reserve</b>				
As at 1 July	481	(1,904)	900	(5,058)
Other comprehensive revenue and expenses:				
Effective portion of changes in fair value of cash flow hedges	270	2,385	918	5,958
As at 30 June	751	481	1,818	900
<b>Carbon credit revaluation reserve</b>				
As at 1 July	2,229	1,182	2,229	1,182
Other comprehensive revenue and expenses:				
Change in fair value of carbon credits	(1,103)	1,047	(1,103)	1,047
Disposal of carbon credits	-	-	-	-
As at 30 June	1,126	2,229	1,126	2,229
<b>Asset revaluation reserve</b>				
As at 1 July	715,313	500,136	751,472	536,454
Other comprehensive revenue and expenses:				
Revaluation gains/(losses)	5,065	215,177	18,480	215,043
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	(8)	(25)
As at 30 June	720,378	715,313	769,944	751,472
Asset revaluation reserves consist of:				
Land and buildings	109,378	109,378	114,985	114,339
Library books	9,624	9,624	9,624	9,624
Infrastructural assets	601,376	596,311	645,335	627,509
Total asset revaluation reserve	720,378	715,313	769,944	751,472
Total other reserves	760,939	747,801	811,572	784,379

	Council Actual 2023			Closing Balance (\$000)
	Opening Balance (\$000)	Transfers In (\$000)	Transfers Out (\$000)	
<b>Restricted reserves</b>				
The reserves can only be used for designated purposes.				
<u>Category A (Legal restriction)</u>	98	324	-	422
The restriction is designated from a statute or legal document.				
These reserves restrictions include the capital and interest or				
This reserve is related to the Parks activity and is to maintain the				
<u>Category B (Capital-only restriction)</u>	12,383	197	-	12,580
These reserves are invested in property that provides a return to				
(Investment property, library and infrastructure activities)				
<u>Category C (Specific purpose)</u>	12,521	763	(209)	13,075
These reserves are to maintain and provide for improvements to				
(Parks, crematorium and cemetery, community centres, waste				
<b>Non-restricted reserves</b>				
The reserves can be used for purposes other than the purpose				
Council created reserves	4,776	18,986	(11,155)	12,607
To provide funding for the ongoing operations and replacement				
(All activities)				
	29,778	20,270	(11,364)	38,684

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

## 23 Contingent liabilities and assets

### 23.1 Contingent liabilities

#### **New Zealand Local Government Funding Agency**

Council is a borrower and guarantor (not shareholder) of the New Zealand Local Government Funding Agency Limited (LGFA). LGFA was incorporated in December 2011 for the purpose of providing debt funding to local authorities in New Zealand, LGFA has a current credit rating from Standard and Poor's of AAA as at 3 March 2023.

Council is one of 70 (2022: 68) local authority guarantors of the LGFA. The New Zealand Government has a 20% shareholding in the LGFA. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Invercargill City Council is a guarantor of all LGFA's borrowings. The LGFA's loans to local authorities are \$17.7 billion (2022: \$15.79 billion), of which Council has borrowed \$123,170 million (2022: \$81.3 million). As a result, Council and Group's cross guarantee to other local authorities is \$17.56 billion (2022: \$15.70 billion).

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

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

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

#### **Ongoing obligation relating to New Zealand Mutual Liability Riskpool Scheme**

Invercargill City Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ('Riskpool'). The Scheme is in wind down; however, the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of the Supreme Court decision on 1 August 2023 *Napier City Council v Local Government Mutual Funds trustee limited*, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weathertight defects (in a mixed claim involving both weathertight and non-weathertight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

#### **20 Spey Street property**

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

#### **Forestry**

Council has harvested a total of 261.0 hectares of pre 1990 forest. Of this harvested land, 22.67 (2022: 15.9) hectares has not yet been replanted at 30 June 2023 and carries a potential deforestation liability of \$726,116 (2022: \$1,115,087) if the land is not replanted. It is Council's intention that these harvested areas will be re-established to ensure that there will be no obligation to surrender units.

#### **Asbestos**

Council has identified areas where asbestos is present and is working through a planned approach for remediation of specific areas. This process involves an independent survey of the contaminated area to determine both the extent of the asbestos contamination and the approach used to remedy any potential risk, ranging from encapsulating the asbestos to contain it to removing it completely from various sites.

#### **Property disputes**

Council is the landlord and tenant of a number of properties and from time to time disputes arise in relation to these leases. At balance date there is a dispute in relation to such property where both the claim and amount is in dispute.

### Group contingent liabilities

#### **Invercargill Airport Limited**

During the 2020 year Invercargill Airport Limited received a \$500,000 grant from the Provincial Growth Fund. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and Invercargill Airport Limited needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services. A contingency for repayment exists for a 10 year term from 31 October 2019 if the Company either:

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

There are no other contingent liabilities or assets at 30 June 2023 (2022:Nil).

#### **Invercargill Central Limited**

The Invercargill Central Limited Share Holders Agreement provides that if acting reasonably the Company determines that it requires further funding it may call on O'Donnell CBD Limited and Invercargill City Holdings Limited to fund a further \$16.5m.

The Invercargill City Holdings Limited subscription agreement with Invercargill Central Limited provides that, on similar terms to the Shareholders Agreement, Invercargill Central Limited may call on Invercargill City Holdings Limited to purchase a further \$4m in shares from Invercargill Central Limited.

#### **Rugby Park Stadium**

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

#### **HWCP Management Limited**

The HWCP Management Limited associate has no contingent liabilities as at 30 June 2023 of nil (2022: nil).

#### **Lakeland Network Limited**

Lakeland Network Limited has no contingent liabilities as at 31 March 2023 (2022: nil).

### 23.2 Contingent assets

There were no contingent assets as at 30 June 2023 (2022: Nil).

## 24. Cash flow reconciliations

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

	Council Actual 2023 (\$000)	Council Actual 2022 (\$000)	Group Actual 2023 (\$000)	Group Actual 2022 (\$000)
Net surplus/(deficit) after taxation	(10,748)	6,589	(51,185)	5,129
<b>Add non-cash items:</b>				
Depreciation and amortisation of intangibles	41,008	29,219	48,212	36,386
(Gain)/Loss on sale of assets	(436)	(1,184)	(409)	(1,085)
(Gain)/Loss on revaluation of assets	-	-	-	-
Change in fair value of biological assets	(575)	38	(575)	38
Change in fair value of investment property	(395)	630	(720)	295
Change in fair value of investments	37	(12)	37	(12)
Changes in advances to associates and joint ventures	-	-	169	(204)
Impairment of investment in joint venture	-	-	41,885	-
Impairment of other financial assets	2,492	-	2,492	-
Increase/(Decrease) in deferred taxation	-	-	502	389
Biological assets - Cost of goods sold	220	136	220	136
Associate and Joint Venture post-acquisition profits	-	-	(7,365)	(4,993)
	31,603	35,416	33,263	36,079
<b>Add/(Less) movements in other working capital items:</b>				
(Increase)/Decrease in stock, receivables and WIP	(3,784)	(763)	(4,396)	280
Increase/(Decrease) in sundry creditors	4,040	(2,413)	4,875	(3,388)
(Increase)/Decrease in GST and taxation	431	(3,214)	(546)	(2,540)
	687	(6,390)	(67)	(5,648)
Net cash from operating activities	32,290	29,026	33,196	30,431

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

	Council Borrowings from external parties (\$000)	Derivative Instruments - liability (\$000)	Group Borrowings from external parties (\$000)	Derivative Instruments - liability (\$000)
Balance as at 1 July 2021	89,222	1,904	174,376	4,895
<b>Add/(less) cash items liabilities arising from financing activities:</b>				
Proceeds	22,840	-	112,940	-
Repayments	(10,000)	-	(94,550)	-
<b>Add/(less) non-cash items:</b>				
Movement in year end accrued interest	-	-	242	-
Cash Flow hedges	-	(2,385)	-	(5,958)
<b>Balance as at 30 June 2022</b>	<b>102,062</b>	<b>(481)</b>	<b>193,008</b>	<b>(1,063)</b>
<b>Add/(less) cash items liabilities arising from financing activities:</b>				
Proceeds	41,870	-	46,720	-
Repayments	(20,000)	-	(24,577)	-
<b>Add/(less) non-cash items:</b>				
Movement in year end accrued interest	567	-	567	-
Cash Flow hedges	-	(270)	-	(1,169)
<b>Balance as at 30 June 2023</b>	<b>124,499</b>	<b>(751)</b>	<b>215,718</b>	<b>(2,232)</b>

## 25 Related parties

*Accounting Policy / Kaupapahere Kaute*

Council is the ultimate parent of the Group. Details of subsidiaries, and associates over which Council has significant influence, are set out on in the Group structure on page 86. Joint ventures are set out in the Council Structure on page 9.

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

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

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

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



### 25.1 Related party transactions

Council provided accounting, administrative, financial and IT services to the related entities listed below. Council does not provide such services to non-related entities. Council provide related party loans to Invercargill Central Limited. This is disclosed under Note 18.1 Other financial assets.

	Related Party Transactions (\$000)	30 June Balance (\$000)	Related Party Transactions (\$000)	30 June Balance (\$000)
Invercargill City Holdings Limited	757	3	520	-
Invercargill Airport Limited	103	-	66	-
Invercargill City Charitable Trust	20	146	2	-
Souhtland Museum and Art Gallery	1,245	20	1,680	16
Invercargill Central Limited	27,297	26,318	317	119
Southland Regional Development Agency Limited trading as Great South	2	-	-	-
Southland Regional Heritage Committee	1	-	-	-

Council also provide accounting and administrative services for its joint operation, WasteNet Southland. The cost of the services provided for the year were \$139,991 (2022: \$250,412).

### 25.2 Grants

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

	Actual 2023 (\$000)	Actual 2022 (\$000)	Reason for non-arm's length
Bluff Maritime Museum	20	20	Non-contestable funding
Emergency Management Southland	444	392	Non-contestable funding
Southland Indoor Leisure Centre Charitable Trust	700	700	Non-contestable funding
Southland Museum and Art Gallery Trust	20	20	Non-contestable funding
Southland Regional Heritage Committee	1,003	1,009	Non-contestable funding
Southland Regional Development Agency Limited trading as Great South	1,824	1,665	Non-contestable funding
Invercargill Public Art Gallery	314	314	Non-contestable funding
Invercargill City Charitable Trust	300	-	Non-contestable funding

### 25.3 Other commercial contracts

Council has a contract with the WasteNet Joint Committee for waste collection and management. In 2022/23 Council paid \$8.3 million (2021/22: \$7.5 million) to WasteNet and at year end \$0.9 million (2022: \$0.6 million) was outstanding.

Council has provided Invercargill Central Limited \$25.8 million of funding as at 30 June 2023 (2022: \$12.8 million) at commercial rate of interest.

### 25.4 Subventions

In the 2023 financial year, Council transferred losses of \$0.732 million as a result of the final Council tax position for the 2023 tax year (2022: \$0.896 million). This comprised a loss offset of \$0.527 million and a subvention payment of \$0.205 million to other group companies.

### 25.5 Key management personnel

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

At 30 June 2023 former Mayor Sir Tim Shadbolt had an account with Council that had a balance owing to Council of \$Nil (2022: \$106). During the year a debt owed to the Council of \$300 was written off.

## 26 Major budget variations (Council only)

Statement of Comprehensive Revenue and Expense - Council					Variance to	Variance to
		Actual	Budget	Actual	Budget	Actual
		2023	2023	2022	2023	2022
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Revenue</b>						
Rates revenue	1	66,548	65,777	61,313	771	5,235
Fines	2	812	605	503	207	309
Subsidies and grants	3	15,651	13,549	23,532	2,102	(7,881)
Direct charges revenue	4	27,438	24,350	24,481	3,088	2,957
Rental revenue		3,152	3,370	3,009	(218)	143
Finance revenue	5	2,768	692	687	2,076	2,081
Dividend income		5,089	5,089	4,886	-	203
Subvention payments received		205	-	251	205	(46)
Other revenue		88	-	-	88	88
<b>Expenditure</b>						
Employee expenses	6	30,453	30,602	27,089	(149)	3,364
Depreciation and amortisation	7	41,008	32,023	29,219	8,985	11,789
General expenses	8	56,649	51,377	54,666	5,272	1,983
Finance expenses	9	3,266	2,325	1,627	941	1,639
Other gains/(losses)	10	(1,123)	742	528	(1,865)	(1,651)
<b>Other comprehensive revenue</b>						
Property, plant and equipment revaluation gains/(losses)	11	5,065	-	215,177	5,065	(210,112)
Carbon credit revaluation gains/(losses)	12	(1,103)	-	1,047	(1,103)	(2,150)
Cash flow hedges	13	270	-	2,385	270	(2,115)
<b>Total Comprehensive Revenue and Expense</b>		<b>(6,516)</b>	<b>(2,153)</b>	<b>225,198</b>	<b>(4,363)</b>	<b>(231,714)</b>

## 2023 Variance analysis against 2023 Budget

- 1 Rates revenue is higher than budget due to a greater than expected growth above the projected rating base.
- 3 Subsidies and grant income is higher than budget due to additional funding from the government to subsidise various capital projects, including the Tisbury Storage Facility and new Housing Care unit's builds.
- 4 Direct charges revenue is higher than budget due to increased waste revenue and higher use of Council user paid services.
- 5 Finance revenue is higher than budget due to the interest rates on term deposits and ICL advance being higher than the budget assumption.
- 6 Employee expenses are higher than budget due to timing differences between projected staffing levels, movements and actuals. It is noted that the recovery of employee expenses to projects is included within General expenses.
- 7 Depreciation expenses are higher than budget due to the asset revaluation carried out in 2022 being significantly higher than anticipated within the budget assumptions.
- 8 General expenses are higher than budget due to increased repairs and maintenance on three waters assets partly offset by lower use of consultants during the year.
- 9 Finance expenses are higher than budget due to higher interest rates on borrowings compared to budget assumptions.
- 10 Other gains/(losses) are lower than budget due to the impairment of loans, partially offset by net gains on sale of property, plant & equipment and the revaluation of Council's Biological Assets being higher than the budget assumption.
- 11 Property, plant and equipment revaluation gains/(losses) budget assumption was for revaluations to occur every three years with the last one in 2022. Roading assets were revalued again this year.

**2023 Variance analysis against 2022 Actuals**

- 1 Rates revenue is higher than 2022 due to an overall rates increase of 8.5% which is made up of a 6.53% increase for existing ratepayers plus a greater than expected growth above the projected rating base.
- 2 Fines income is higher than 2022 due to an increase in parking infringements with greater number of parks available compared to last year.
- 3 Subsidies and grant income is lower than 2022 due to timing variances for funding from the government to subsidise capital projects. 2022 included funding for projects like Stead Street Stop Bank upgrade, Branhholme pipe line and 3 waters, whereas 2023 included Tisbury Storage Facility and new Housing Care unit's builds.
- 4 Direct charges revenue is higher than 2022 due to increased waste revenue and higher use of Council user paid services.
- 5 Finance revenue is higher than 2022 due to the average level of Council investment and interest rates in 2023 was higher than in 2022. This includes further funds of \$13 million advanced to ICL.
- 6 Employee expenses are higher than 2022 due to additional positions added to staffing structure.
- 7 Depreciation expenses are higher than 2022 due to the asset revaluation carried out in 2022 being significantly higher than anticipated within the budget assumptions.
- 8 General expenses are higher than 2022 due to higher payments to contractors for delivery of services and maintenance on assets.
- 9 Finance expenses are higher than 2022 due to the average level of Council borrowing and interest rates in 2023 was higher than in 2022.
- 10 Other gains/(losses) are higher than 2022 due to higher revaluation values of Council's Investment Property and Biological Assets.
- 11 There was no Property, plant and equipment revaluation undertaken in 2023 for property and the 3 water activities.
- 12 Carbon credit revaluation gains/(losses) are lower than 2022 due to a decrease in the valuation of the Council's Carbon Credits this year.
- 13 Cash flow hedges are lower than 2022 due to a lower valuation increase of the Council's Derivative Financial Instruments this year.

## Statement of Financial Position - Council

		Actual 2023 (\$000)	Budget 2023 (\$000)	Actual 2022 (\$000)	Variance to Budget 2023 (\$000)	Variance to Actual 2022 (\$000)
<b>Current assets</b>						
Cash and cash equivalents	1	15,443	12,663	18,596	2,780	(3,153)
Receivables	2	16,428	11,649	13,341	4,779	3,087
Prepayments		1,333	1,089	1,279	244	54
Inventories		602	751	480	(149)	122
Other financial assets	3	18,673	18,302	24,960	371	(6,287)
<b>Non-current assets</b>						
Work in progress	4	33,740	-	36,111	33,740	(2,371)
Property, plant and equipment	5	1,064,839	1,070,534	1,047,098	(5,695)	17,741
Intangible assets	6	2,391	5,776	3,179	(3,385)	(788)
Biological assets		4,203	4,246	3,848	-	355
Investment property	7	26,956	27,566	26,761	(610)	195
Investment in Subsidiaries	8	76,569	84,069	76,569	(7,500)	-
Other financial assets	3	25,451	24,962	15,277	489	10,174
Derivative financial instruments	9	751	-	481	751	270
<b>Current liabilities</b>						
Trade and other payables	10	18,683	20,260	15,309	(1,577)	3,374
Provisions		112	112	112	-	-
Employee benefit liabilities		3,784	2,663	3,682	1,121	102
Borrowings	11	70,799	59,391	33,362	11,408	37,437
<b>Non-current liabilities</b>						
Provisions		816	816	816	-	-
Employee benefit liabilities		27	872	25	(845)	2
Borrowings	11	53,700	89,086	68,700	(35,386)	(15,000)
Derivative financial instruments	9	-	1,904	-	(1,904)	-
<b>Equity</b>						
Retained earnings	12	378,520	385,802	398,173	(7,282)	(19,653)
Other reserves	13	760,938	700,701	747,801	60,237	13,137
<b>Total equity</b>		<b>1,139,458</b>	<b>1,086,503</b>	<b>1,145,974</b>	<b>52,955</b>	<b>(6,516)</b>

### 2023 Variance against 2023 Budget

- 1 Cash and cash equivalents are higher than budget due to differences in cashflow movements of Council for the year.
- 2 Receivables are higher than budget due to timing differences of invoices issued that have been accrued in June 2022 & 2023.
- 3 Other financial assets are higher than budget due to additional Council lending of short term loan to ICL.
- 4 Work in progress budget is included within the Property, plant and equipment budget number.
- 5 Property, plant and equipment are lower than budget due to some capital projects were not completed at balance date and remain within the Work in progress balance. This includes the Branxholme pipeline work.
- 6 Intangible assets are lower than budget due to some computer software projects remaining within the Work in progress balance as they were not completed at balance date.
- 7 Investment property is lower than budget due to property values being revalued lower than expected.
- 8 Investment in Subsidiaries is lower than budget due to additional share purchases in ICHL was not required.
- 9 Derivative financial instruments are higher than budget due to changes to the value of the contractual undiscounted cash flows of the financial instruments.
- 10 Trade and other payables are lower than budget due to timing differences of larger contractor payments which have been accrued in June 2022 & 2023.
- 11 Total borrowings are less than budget due lower funding requirements as the Council deferred and reapportioned parts of the capital programme to a later year. This includes Project 1225 and Branxholme pipeline work.
- 12 Retained earnings are lower than budget due to Council recording a larger operating deficit for the year.
- 13 Other Reserves are higher than budget due to the actual 2022 and 2023 asset revaluations being higher than the budget assumptions.

### 2023 Variance against 2022 Actuals

- 1 Cash and cash equivalents are lower than 2022 due to the maturity profile of Council's investments resulting in some short term deposits being reclassified as cash and cash equivalents last year.
- 2 Receivables are higher than 2022 due to timing differences of invoices issued that have been accrued in June 2022 & 2023.
- 3 Other financial assets are higher than 2022 due to additional loan advance to ICL for the city centre development.
- 4 Work in Progress is lower than 2022 due to the transfer of completed project of the Streetscapes for the City Centre block and Stead Street Stop bank projects to Property, plant and equipment. This was partly offset by additional Branxholme pipeline work which have started but not completed at balance date.
- 5 Property, plant and equipment are higher than 2022 because Council's spending on capital works was more than the depreciation for the year.
- 6 Intangible assets are higher than 2022 due to changes to the value of Carbon credits held by Council.
- 9 Derivative financial instruments are more than 2022 due to changes to the value of the contractual undiscounted cash flows of the financial instruments.
- 10 Trade and other payables are higher than 2022 due to timing differences of large contractor payments which have been accrued in June 2022 & 2023.
- 11 Total borrowings are more than 2022 due to increased borrowings uplifted to fund capital expenditure and additional loan advance to ICL for the city centre development.
- 12 Retained earnings are lower than 2022 due to Council recording a larger operating deficit for the year.
- 13 Other Reserves are higher than 2022 due to an increase in the valuation of Roading assets this year and a net increase in funds transferred to the restricted and non-restricted reserves.

The above comments have only focused on major variances.

## 27 Remuneration

### Accounting Policy / Kaupapahere Kaute

Section 32 of Schedule 10 of the Local Government Act 2002 requires the disclosure of the remuneration of the mayor, chairpersons, members and chief executive of local authorities. The Chief Executive Officer of the Council is appointed in accordance with section 42 of the Local Government Act 2002.

### 27.1 Key management personnel

### Accounting Policy / Kaupapahere Kaute

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

	Council Actual 2023 \$	Council Actual 2022 \$	Group Actual 2023 \$	Group Actual 2022 \$
Short-term employee benefits	2,594,223	2,427,638	2,859,501	2,795,638
Vehicle (market value plus FBT)	32,966	34,616	32,966	34,616
Retirement benefits	53,950	51,191	53,950	51,191
Directors' fees	-	-	546,300	492,000
	<b>2,681,139</b>	<b>2,513,445</b>	<b>3,492,717</b>	<b>3,373,445</b>

	Council Actual 2023	Council Actual 2022	Group Actual 2023	Group Actual 2022
<b>Number of persons recognised as key management personnel</b>				
Elected members or directors	19	18	34	35
Executive Leadership Team (including the Chief Executive)	7	9	7	9
<b>Total key management personnel</b>	<b>26</b>	<b>27</b>	<b>41</b>	<b>44</b>

### Commentary / Whakaaro

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

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2022: \$Nil).

The Council did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2022: \$Nil).

The Council did not provide any loans to key management personnel or their close family members (2022: \$Nil).

## 27.2 Chief Executive

*Accounting Policy / Kaupapahere Kaute*

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

The total cost to the Council of the remuneration package paid or payable to the Chief Executive, as per the above, for the year to 30 June 2023 was:

	Council Actual 2023 \$	Council Actual 2022 \$
M Day (appointed 19 March 2023) - Chief Executive		
Short-term employee benefits	115,610	-
Vehicle (market value plus FBT)	5,139	-
Retirement benefits	3,087	-
	123,836	-
C V Hadley (appointed 19 March 2018, contract ended 18 March 2023) - Chief Executive		
Short-term employee benefits	300,117	349,038
Vehicle (market value plus FBT)	18,254	20,215
Retirement benefits	9,004	10,471
	327,375	379,724

## 27.3 Executive Leadership Team

	Council Actual 2023 \$	Council Actual 2022 \$
Short-term employee benefits	1,389,570	1,357,318
Vehicle (market value plus FBT)	3,016	-
Retirement benefits	41,859	40,720
	1,434,445	1,398,038

## 27.4 Elected members and Mana Whenua representatives – Council

## Accounting Policy / Kaupapahere Kaute

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

	Council Actual 2023 \$	Council Actual 2022 \$
<b>W S Clark (Mayor) - elected 16 October 2022</b>		
Short-term employee benefits	103,617	-
Vehicle (market value plus FBT)	4,477	-
	<b>108,094</b>	<b>-</b>
<b>Sir T R Shadbolt (Mayor)</b>		
Short-term employee benefits	39,616	132,805
Vehicle (market value plus FBT)	2,080	14,401
	<b>41,696</b>	<b>147,206</b>

## Commentary / Whakaaro

Mayor Clark has utilised existing pool vehicles as his mayoral vehicle. As at 30 June 2023, the vehicle value for the purpose of determining Mayor Clark's remuneration totals \$39,428.

The Mayors have had during the year full private use of the vehicles.

	Council Actual 2023 \$	Council Actual 2022 \$
<b>Councillors and Mana Whenua representatives</b>		
W S Clark (Deputy Mayor)	16,721	56,104
T Campbell (Deputy Mayor) (appointed 16 October 2022)	43,592	-
R L Abbott (ceased 15 October 2022)	11,641	39,084
R R Amundsen (ceased 15 October 2022)	12,840	44,626
A J Arnold	41,368	39,084
R I D Bond (appointed 16 October 2022)	29,726	-
P M Boyle (appointed 16 October 2022)	29,727	-
E A Cook	36,505	49,009
P T Coote	36,505	49,009
A H Crackett	42,566	43,105
G M Dermody (appointed 16 October 2022)	38,046	-
P W Kett	41,368	39,084
G D Lewis (ceased 15 October 2022)	11,641	39,084
D J Ludlow	52,540	48,746
M Lush (ceased 15 October 2022)	11,641	39,127
I R Pottinger	52,568	48,746
N D Skelt (ceased 5 May 2023)	39,598	39,084
L F Soper	41,368	39,039
B R Stewart (appointed 16 October 2022)	29,727	-
	<b>619,688</b>	<b>612,931</b>



	Council Actual 2023 \$	Council Actual 2022 \$
<b>Bluff Community Board</b>		
R J C Fife	8,318	8,693
S S Graham	3,126	-
G V Henderson (ceased 15 October 2022)	1,296	4,346
G A Laidlaw (ceased 15 October 2022)	1,296	4,346
N J Petersen (ceased 15 October 2022)	1,296	4,346
T M Stockwell (appointed 16 October 2022)	3,126	-
J M Sutherland (appointed 16 October 2022)	3,126	-
T M Topi	4,421	4,346
	<u>26,005</u>	<u>26,077</u>
Total elected representatives' remuneration	<u>795,483</u>	<u>786,214</u>

*Commentary / Whakaaro*

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

**27.5 Council employees**

Total Remuneration by band for employees at 30 June:

	<u>Actual 2023</u>
< \$60,000	230
\$60,000 - \$79,999	115
\$80,000 - \$99,999	42
\$100,000 - \$119,999	20
\$120,000 - \$139,999	18
\$140,000 - \$159,999	7
\$160,000 - \$239,999	6
\$240,000 - \$359,999	3
	<u>441</u>
	<u>Actual 2022</u>
< \$60,000	235
\$60,000 - \$79,999	104
\$80,000 - \$99,999	29
\$100,000 - \$119,999	18
\$120,000 - \$139,999	13
\$140,000 - \$179,999	8
\$180,000 - \$239,999	7
\$240,000 - \$399,999	1
	<u>415</u>

*Commentary / Whakaaro*

At balance date, the Council employed 300 (2022: 276) full time employees with the balance of employees representing 61 (2022: 65) full-time equivalent employees. An employee is a full-time employee if they normally work 40 hours or more per working week.

Total remuneration includes non-financial benefits to employees.

## 28 Capital management

The Council's capital (equity or ratepayer's funds), comprises retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

### **Intergenerational equity**

The Council's objective is to manage the balance between rating (for funds) and borrowing to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for the renewal and maintenance programmes of major classes of assets to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its LTP and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and level of funding are set out in the funding and financial policies of the Long Term Plan.

## 29 Subsequent events

### **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 Limited (Great South)**

Southland Regional Development Agency Limited on 4 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 close on 14 October, with public hearings on 24 and 25 October. Council is scheduled to meet and deliberate on the proposal and feedback on 7 November and which time Council's actions will be determined.

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.

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

*Accounting Policy / Kaupapahere Kaute***Council**

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

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

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

**Classification of non-financial assets as cash-generating assets or non-cash-generating assets**

For the purpose of assessing impairment indicators and impairment testing, the Group classifies nonfinancial assets as either cash-generating or noncash-generating assets. The Group classifies a nonfinancial asset if the primary objective of the asset is to generate a commercial return. All other assets are classified as non-cash generating assets.

All property, plant and equipment and intangible assets (excluding goodwill) held by Council are classified as non-cash-generating assets, except for rental properties that are earning a market rental. This includes assets that generate fee revenue or other cash flows for Council as these cash flows are generally not sufficient to represent commercial return on the assets.

All property, plant and equipment held by Invercargill City Holdings Limited are classified as cash-generating assets as it is a for-profit entity and the primary objective of its assets is to generate commercial return.

**Properties**

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of Invercargill City Council's social housing policy. These properties are accounted for as property, plant and equipment.

**Landfill Aftercare Provision**

Council's current resource consent for the operation of its landfill expired in 2006. The Council has responsibility under the resource consent to provide maintenance and monitoring of the landfill after the site is closed and a provision has been established for this purpose. Maintaining the provision at current levels is appropriate given the uncertainty around future consent requirements.

**Infrastructural Assets**

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates. Experienced independent valuers review the Council's infrastructural asset revaluations.

**Land and Buildings**

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

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

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

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

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

These included retiring gratuities and long-service leave liabilities are assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on (i) likely future entitlements accruing to employees, based on years of service, years to entitlement, (ii) the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and (iii) the present value of the estimated future cash flows

#### **Other**

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

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

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

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

For 2023, due to the impact of high inflation and a rising interest rate environment in New Zealand and globally, an impairment assessment was carried out.

The following major inputs and assumptions were adopted:

- The forecast free cash flows reflect the charges determined following the 2024 Aeronautical Charges Review.
- Expected revenues reflect expected passenger numbers and other contractual revenues.
- The weighted average cost of capital (WACC) used ranges from 7.04% to 8.48% (2022: 5.6% to 7.16%) depending on the asset class.

The assessment indicated that the value of property, plant and equipment was not impaired. The assessment is sensitive to the WACC applied. An impairment arises if the WACC for all asset classes is increased by any amount more than 2.87% (resulting in an average WACC of 10.38%).

##### **HWCP Management Limited Loan held at Fair Value through Profit and Loss**

Loan - HWCP Management Limited for \$646 (2022: \$2,293) The fair value of the loan to HWCP Management Limited was determined using discounted cashflow methodology. This resulted in loss of \$169,174 on financial assets at fair value through profit or loss. The valuation is based on forecast free cashflows to 2029. The following assumptions were adopted:

- A discount rate of 15.22% (2022: 12.44%) was used to reflect the unsecured loan including the credit
- margin of 2.6%
- The forecast cashflows reflect a realisation of the remaining assets in 2029.
- The value of the assets sold in 2029 are deemed to reflect the market value as at 30 June 2023. No adjustment has been made with regards the increase or decrease in market value of these assets to the point of forecasted realisation in 2029.

#### **Related party loans**

Certain judgements have been applied within the expected credit loss provision for related party loans. An impairment expense of 2.492 million has been recognised and the statement of Financial Performance for the year ended 2023 refer Note 19.5 regarding the critical estimates and judgements apply.

#### **Other**

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

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

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

### 31 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.

# Other information

Te tāpiri pārongo

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## Collaboration across councils and mana whenua

Council participates in relevant shared service arrangements via the Southland Triennial Agreement and a Memorandum of Understanding with the other local authorities locally and nationally. There are a variety of other collaborative arrangements in place with local councils and mana whenua.

The following are examples of some of those collaborations.

### **Building Control**

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

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

The networking and engagement of these collaboration groups helps to standardise the consent processing methodology and quality assurance processes, improving the communities' experiences when working with a variety of councils in the South Island.

### **Emergency Management**

Emergency Management Southland (EMS) is a shared service between Invercargill City Council, Southland District Council, Environment Southland and Gore District Council. It focuses on ensuring resilience in communities by preparing for emergencies and ensuring communities are able to respond to and recover from these when they do happen. Specific actions include public education and ensuring a pool of trained personnel.

During the 2022/23 year, the EMS team members were deployed on six occasions to assist with Auckland's flooding event and Cyclone Gabrielle, providing Auckland, Kaikohe and Hawkes Bay with much needed assistance and invaluable experience for attending staff. Emergency Management Southland duty officers have been contacted after hours for several other minor events throughout the year, an earthquake and possible resulting Tsunami from the Kermadec and Loyalty Island groups, and several weather warnings.

Emergency Management Southland has concentrated on providing increased training for the Council staff that would be called into the Emergency Coordination Centre

to assist when in a declared state emergency. There has been induction, foundation, CIMs course and the new function specific training. 178 staff have attended these training sessions. Towards the end of the year EMS held Exercise Star, this was a combined exercise with emergency service and 50+ council staff, testing the knowledge gained throughout the training during the past year.

The AF8 programme is a combined South Island emergency management initiative that is run and administered by EMS. The programme completed the AF8 roadshow, which communicates the next Alpine Fault earthquake as a South Island wide event. It is not simply something that will happen over there, to others. It is an event we should all be aware of, and be better prepared for. The Roadshow as a public education initiative is due to a real collaborative effort, where science provides the foundation for robust community-led discussions and informed decision-making, supported by local emergency management and communication experts. The 2023 itinerary was expanded to 24 public science talks and 13 school visits around the South Island. This tour ran for 9 weeks and visited communities that had missed out in the previous AF8 Roadshows, including two Marae (Wairewa and Waikawa), with some repeat visits to West Coast communities.

Emergency Management Southland was successful in securing \$200,000 funding from the NEMA resilience fund for the continued running of the AF8 programme, this will assist to ensure future development of the programme.

### **Regional Climate Change Inter-Agency Group**

Following a Regional Climate Change Hui 4 July 2022; Environment Southland, Te Ao Mārama, Gore District Council, Invercargill City Council and Southland District Council have established a regional climate change inter-agency working group (RCCWG). This governance-level group has been meeting regularly since February 2023. The purpose of this working group is to effectively and collaboratively progress and communicate a joined-up approach to developing and executing a regional climate change strategy and framework for action for Murihiku Southland. This is as a key step towards Murihiku Southland mitigating and adapting to the regional impacts of climate change.

While this working group is not a formal joint committee and does not have formal delegations; it is expected that as the work progresses, it is intended to feed into the

regionally coordinated approach to spatial planning for the region.

#### Information Technology

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

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

Shared Services initiatives during the past year included:

- Significant progress was made on the Provincial Growth Fund Regional LiDAR Project. As of 30 June 2023, the total area captured by the contractor, Aerial Services Limited, for Murihiku Southland was 97%. The remaining 3% will be completed in early summer 2023. Once captured, the data is processed offshore and returned to Environment Southland for quality assurance checking. The first sets of high-resolution LiDAR data for the Oban area of Rakiura Stewart Island, Maitara catchment and South-East Coast have been released publicly. They can be accessed via the LINZ website [Southland LiDAR Index Tiles \(2020-2022\) | LINZ Data Service](#). The rest of Murihiku Southland will be released as it becomes available. Environment Southland is developing publicly available tools to utilise these datasets, e.g., 3D elevation models and contour mapping. They will be available as they are completed on Council websites.
- Along with the LiDAR project, Environment Southland have re flown the region for imagery, 75% of the rural area was captured in the 2022/23 summer, and the remaining 25% will be captured in the 2023/24 summer. 100% of the urban areas were flown. Invercargill City Council completed a high-resolution project in 2022; this data is now available on council websites. The remaining updated imagery will be publicly available via LINZ and council websites as it becomes available; it is expected that this will be by October 2023.

#### Te Rōpu Taiao

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

The Councils continued to fund and support Te Ao Mārama Inc during the 2022/23 year. The four papatipu rūnanga and the participant councils also continued to meet through Te Rōpu Taiao hui, which allow for

exchange of information and identification of opportunities to work together.

#### SouthLib Library Consortium

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

The SouthLib consortium provides free reciprocal membership of any public library in the Otago and Southland regions to permanent residents living anywhere in the regions. This means that the more than 356,000 people living in Otago and Southland have free access to 42 public library branches, three book buses and a collection of more than 1.5 million items. All libraries in the consortium are now completely fine-free or moving towards it. Public Libraries of New Zealand (PLNZ) launched a campaign last year to help all public libraries remove late fees. [Fine Free Aotearoa](#) is a step-by-step guide to help library managers, council members, and communities build a better and brighter future through engagement with their local library. Public libraries are a valuable part of our social infrastructure, a place to be connected, to learn, to access trusted information, and a platform to ensure our communities get the best out of life. Going fine-free opens doors for everyone, not just those who can afford it.

A range of opportunities and collaborations between the districts have taken place and these include integrated holiday and reading programmes, requests and holds able to be placed across boundaries. Authors visits are co-ordinated to minimise costs/travel and accommodation. Attendance at library programmes and events throughout the Southland and Otago region has seen 106,000 attendees.

E-resource collections across the consortium are growing steadily and 650,000 e-items were issued to users across the region.

The National Library, Aotearoa Public Network Kaharoa (APNK) in collaboration with New Zealand continues to provide free and facilitated access to the internet and computer technology with 52,795 wi-fi sessions by Southland users being accessed during the year.

We continue to subscribe to the shared library management and resources discovery service of the Kōtui consortium. As part of the Kōtui consortium, library managers and staff benefit from access to reliable future-proofed systems, and the ability to easily build resource-sharing networks with other Kōtui public libraries for their physical resources. Other benefits of Kōtui membership include training opportunities, seven-day service desk support from a specialist team, and an active and supportive membership community.



The public using Kōtui libraries benefit from resource discovery tools at their fingertips, making it easy to find what they want in their library's physical and electronic collections. Library users can search these resources in the library, at home or on their smartphone devices, making the service convenient and adaptable to the wide variety of needs of the community.

#### **Regional Development**

During the previous financial year, Great South<sup>1</sup> (the Southland Regional Development Agency) was successful in gaining Just Transition funding to undertake long-term planning including a review of the Southland Regional Development Strategy.

Following 18 months of stakeholder and community engagement, the **Beyond 2025 Southland Regional Land Term Plan** was launched in June 2023 and shares aspirations for the region's future economy, environment and people and how these aspirations could be achieved. Further information can be sourced from [www.beyond2025southland.nz](http://www.beyond2025southland.nz)

#### **Regional Planning**

The Second Tier Environmental Group and Regional Planning and Strategy Managers Group (comprising staff from Environment Southland, Invercargill City Council, Southland District Council, Gore District Council, Te Ao Mārama Inc. and Great South) continued to work together to respond to legislative change.

A coordinated approach to regional spatial planning in the region commenced during the 2022/23 year. We are jointly working together to determine the current state of existing information and also starting the scoping of a future work programme to fill any information or resource gaps.

#### **Future challenges**

Resource Management, Three Waters and Local Government Reform

Adapting to impacts of climate change and ensuring a resilient community

The proposed closure of Tiwai Aluminium Smelter

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

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

## Glossary

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

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

