PHOTO: GREAT SOUTH

How we pay for it

Te take pūtea

Invercargill
CITY COUNCIL

Funding Impact Statement

The Funding Impact Statement is made up of three parts:

- Rating policy information for 2024/2025
- Total rates to be collected including rating examples of different property
- Funding Impact Statement - Invercargill City Council for 2024-2034

The Funding Impact Statement should be read in conjunction with the Revenue and Financing Policy.

Figures in this statement are GST inclusive unless otherwise stated.

PHOTO: GREAT SOUTH

Rating policy

Te Ture Whaka taurenga

Rates

Invercargill City Council sets rates using the following methods:

- a rate in the dollar on capital value
- a uniform annual general charge (UAGC) fixed charge per separately used or inhabited part of a rating unit (SUIP)
- a fixed charge per provision of service
- a fixed charge per rating unit
- a fixed charge per connection to a council service

Differentials

In addition to these charges some differentials are applied to recognise different levels of benefit received by some ratepayers and different levels of burden placed on Council's activities. Examples of differentials are shown below.

- Differential of 0
  The rate is not applied to the property
- Differential of 0.60
  60% of the rate is applied to the property
- Differential of 0.97
  97% of the rate is applied to the property
- Differential of 1
  The standard rate is applied to the property
- Differential of 2
  Double the rate is applied to the property

Separately Used or Inhabited Part of a Rating Unit (SUIP)

A separately used or inhabited part of a rating unit includes any portion inhabited or used by the owner or a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

Council charges a Uniform Annual General Charge (UAGC) per SUIP.

Examples of properties with multiple SUIPs include, but are not limited to, the following situations:

- Single dwelling with flat attached
- Two or more houses, flats or apartments on one record of title
- Business premise with flat above
- Separate business premise and dwelling on same record of title
- Commercial building leased, or sub-leased, to multiple tenants
- Farm or horticultural property with more than one dwelling
- Council property with more than one lessee
- Individually surveyed lots of vacant land on one record of title offered for sale separately or in groups
- Where part of a rating unit that has the right of exclusive occupation when more than one ratepayer/owner
- Retirement village with self-contained flats or dwellings

General Rates

The general rate is set as a rate in the dollar on capital value and a uniform annual general charge (UAGC) per separately used or inhabited part of a rating unit.

The following differentials apply:

LAND USE	BASIS FOR RATE	DIFFERENTIAL
Residential	Rate in dollar on capital value	1
Lifestyle	Rate in dollar on capital value	0.97
Commercial	Rate in dollar on capital value	1
Industrial	Rate in dollar on capital value	1
Farms	Rate in dollar on capital value	0.60
Utilities	Rate in dollar on capital value	1
1530 Tiwai Road	Rate in dollar on capital value	0.23

Regional Heritage

Southland Regional Heritage activities are operated by a Joint Committee across three councils: Invercargill City, Southland District and Gore District. Charges are set based on a fixed charge per SUIP. In Invercargill we include this withn the UAGC.

Community Board

Council sets a targeted rate to fund the costs of the Bluff Community Board and its projects. This is set as a rate in the dollar on capital value of properties identified in Map A, excluding Utility, with property type differentials applied.

City Centre coordinator

Council sets a targeted rate to fund the costs of City Centre Co-ordination. This is set as rate in the dollar on capital value of all commercial and industrial land identified in Map B.

Transportation

Council sets a targeted rate for provision of the direct access to the Transportation Service. This rate is set as a rate in the dollar on capital value of all identified properties in Map C (excluding Utilities) with property type differentials applied. The balance of this service is included in the general rates and distributed across the entire city.

ACTIVITY	TARGETED PORTION	GENERAL PORTION
Transportation	50%	50%

Stormwater Drainage

Council sets a targeted rate for provision of the direct access to the Stormwater Drainage Service. This rate is set as a rate in the dollar on capital value of all properties identified as having access to a stormwater drainage network with property type differentials applied. The balance of this service is included in the general rates and distributed across the entire city.

ACTIVITY	TARGETED PORTION	GENERAL PORTION
Drainage	75%	25%

Water

Council sets targeted rates to fund the provision of reticulated water supply. These are set as fixed charges per SUIP for residential properties and charges per rating unit with differentials based on capital value (CV) for other property (excluding Utilities) as shown in the table below. Vacant properties that are able to connect to Council water supply (serviceable) are charged a differential of 0.5 which is a half charge. The base rates are calculated to collect 84% of the total water rates from residential properties with 16% of the total water rates collected coming from non-residential land.

RATE TYPE	DIFFERENTIAL
Water - Residential	1

RATE TYPE	DIFFERENTIAL
Water – Non-Residential with CV <$50,001	0.8
Water – Non-Residential with CV $50,001-$100,000	1
Water – Non-Residential with CV $100,001-$200,000	1.2
Water – Non-Residential with CV $200,001-$400,000	1.4
Water – Non-Residential with CV $400,001-$1,000,000	2
Water – Non-Residential with CV $1,000,001-$3,000,000	3
Water – Non-Residential with CV $3,000,001-$5,000,000	4
Water – Non-Residential with CV >$5,000,000	5

Water (continued)

Council has determined that a vacant serviceable rating unit is a property where the closest property boundary is less than 100m from a water access point and it is not impracticable to access the service. A serviceable rating unit upon which a building is erected is a property where the building is less than 100m from water supply and it is not impracticable to connect to the service.

Council charges high usage non-residential properties for metered water supply on a per cubic metre basis. This is charged per cubic metre of water consumed over 249m^3 per annum. This is not a rate and the amount is set by Councill in its schedule of fees and charges.

RATE TYPE	RATE PER CUBIC METRE
Metered Water Supply	$1.80

Sewerage

Council sets targeted rates to fund the provision of reticulated sewerage services. These are set as fixed charges per SUIP for residential properties and fixed charges per rating unit with differentials based on capital value (CV) for other properties excluding Utilities as shown in the table below. Vacant properties that are able to connect to Council's sewerage network (serviceable) are charged a differential of 0.5 which is a half charge. The base rates are calculated to collect 75% of the total sewerage rates from residential properties with 25% of the total rates collected coming from non-residential land.

RATE TYPE	DIFFERENTIAL
Sewerage - Residential	1
RATE TYPE	DIFFERENTIAL
Sewerage – Non-Residential with CV <$50,001	0.8
Sewerage – Non-Residential with CV $50,001-$100,000	1
Sewerage – Non-Residential with CV $100,001-$200,000	1.2
Sewerage – Non-Residential with CV $200,001-$400,000	1.4
Sewerage – Non-Residential with CV $400,001-$1,000,000	2
Sewerage – Non-Residential with CV $1,000,001-$3,000,000	3
Sewerage – Non-Residential with CV $3,000,001-$5,000,000	4
Sewerage – Non-Residential with CV >$5,000,000	5

Council has determined that a vacant serviceable rating unit is a property where the closest property boundary is less than 60 metres from a sewerage access point and it is not impracticable to access the service. A serviceable rating unit upon which a building is erected is a property where the building is less than 60 metres from sewerage network and it is not impracticable to connect to the service.

Solid Waste Kerbside Collection

Council sets a targeted rate to fund the provision of kerbside removal of refuse and recycling within the service area. This is set as a fixed charge per provision of the service for residential, commercial and industrial properties within the service area. An additional set of bins can be provided at full cost.

Projected Rate Properties – 2024/2034

YEAR	PROJECTED NUMBER OF RATING UNITS
2024/2025	25,966
2025/2026	26,096
2026/2027	26,252
2027/2028	26,436
2028/2029	26,648
2029/2030	26,887
2030/2031	27,129
2031/2032	27,374
2032/2033	27,620
2033/2034	27,869

Rates to be collected – 2024/2025

RATE NAME		RATE $	BASIS	DIFFERENTIAL	TOTAL
General Rate	Residential	$0.00329979	Per $ capital value	1	$32,173,102
General Rate	Lifestyle	$0.00320080	Per $ capital value	0.97	$5,258,103
General Rate	Commercial	$0.00329979	Per $ capital value	1	$4,580,440
General Rate	Industrial	$0.00329979	Per $ capital value	1	$3,124,451
General Rate	Farming	$0.00197988	Per $ capital value	0.60	$728,981
General Rate	1530 Tiwai Road	$0.00075895	Per $ capital value	0.23	$159,672
General Rate	Utilities	$0.00329979	Per $ capital value	1	$2,059,695
UAGC		$208.57	Per SUIP	1	$5,633,987
Water Supply	Residential	$458.89	Per connected residential SUIP	1	$9,533,634
Water Supply	Non-Residential	$525.08	Per connected rating unit	1	$1,815,944
Sewerage	Residential	$411.15	Per connected SUIP	1	$9,033,486
Sewerage	Non-Residential	$861.91	Per connected rating unit	1	$3,011,133
Refuse Collection	Kerbside Collection	$253.17	Per set of bins provided	1	$5,534,242
Bluff Community Board	Residential	$0.00023578	Per $ capital value	1	$75,097
Bluff Community Board	Lifestyle	$0.00022871	Per $ capital value	0.97	$8,961
Bluff Community Board	Commercial	$0.00023578	Per $ capital value	1	$2,681
Bluff Community Board	Industrial	$0.00023578	Per $ capital value	1	$19,263
Bluff Community Board	Farming	$0.00014147	Per $ capital value	0.60	$4,166

Rates to be collected – 2024/2025

RATE NAME		RATE $	BASIS	DIFFERENTIAL	TOTAL
City Centre Co-ordinator	Commercial	$0.00025697	Per $ capital value	1	$205,274
City Centre Co-ordinator	Industrial	$0.00025697	Per $ capital value	1	$7,653
Transportation	Residential	$0.00008446	Per $ capital value	1	$709,665
Transportation	Lifestyle	$0.00008192	Per $ capital value	0.97	$3,488
Transportation	Commercial	$0.00008446	Per $ capital value	1	$107,039
Transportation	Industrial	$0.00008446	Per $ capital value	1	$53,099
Transportation	Farming	$0.00005067	Per $ capital value	0.60	$0
Stormwater	Residential	$0.00045563	Per $ capital value	1	$4,347,624
Stormwater	Lifestyle	$0.00044196	Per $ capital value	0.97	$181,251
Stormwater	Commercial	$0.00045563	Per $ capital value	1	$609,165
Stormwater	Industrial	$0.00045563	Per $ capital value	1	$317,601
Stormwater	Farming	$0.00027338	Per $ capital value	0.60	$510
Stormwater	Utilities	$0.00045563	Per $ capital value	1	$280,690
				TOTAL	**$89,580,098**

Non-Rateable Properties

Land that is fully non-rateable is set out in Schedule 1 of the Local Government (Rating) Act 2002.

Revision History: June 2024

Reference Number: A5062660

Effective Date: 1 July 2024

Review Period:
Every three years

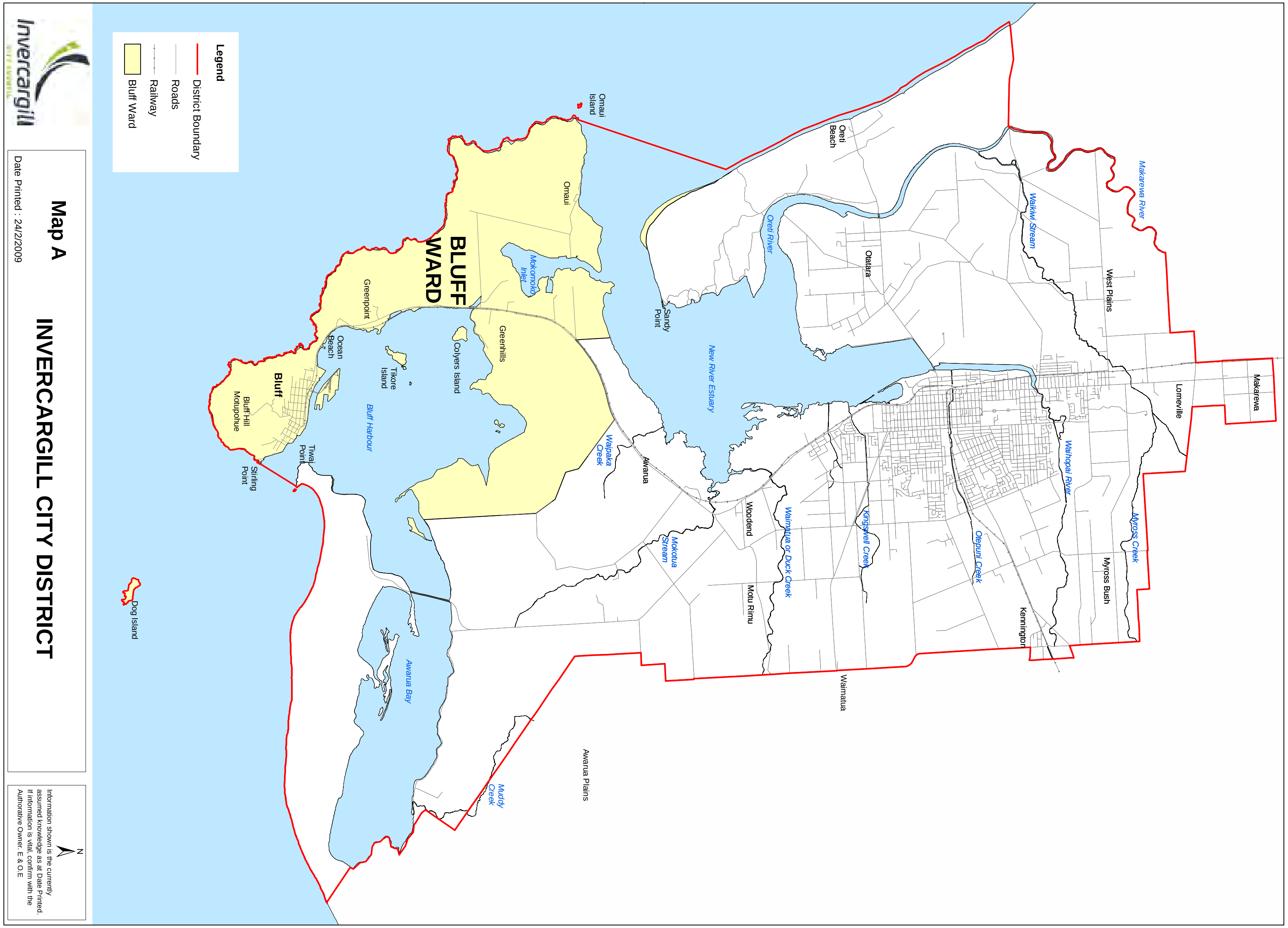
Supersedes:
Rating Policy 2021 (A3427787)

Next Review Date: 1 July 2027

Associated Documents/References:
Nil

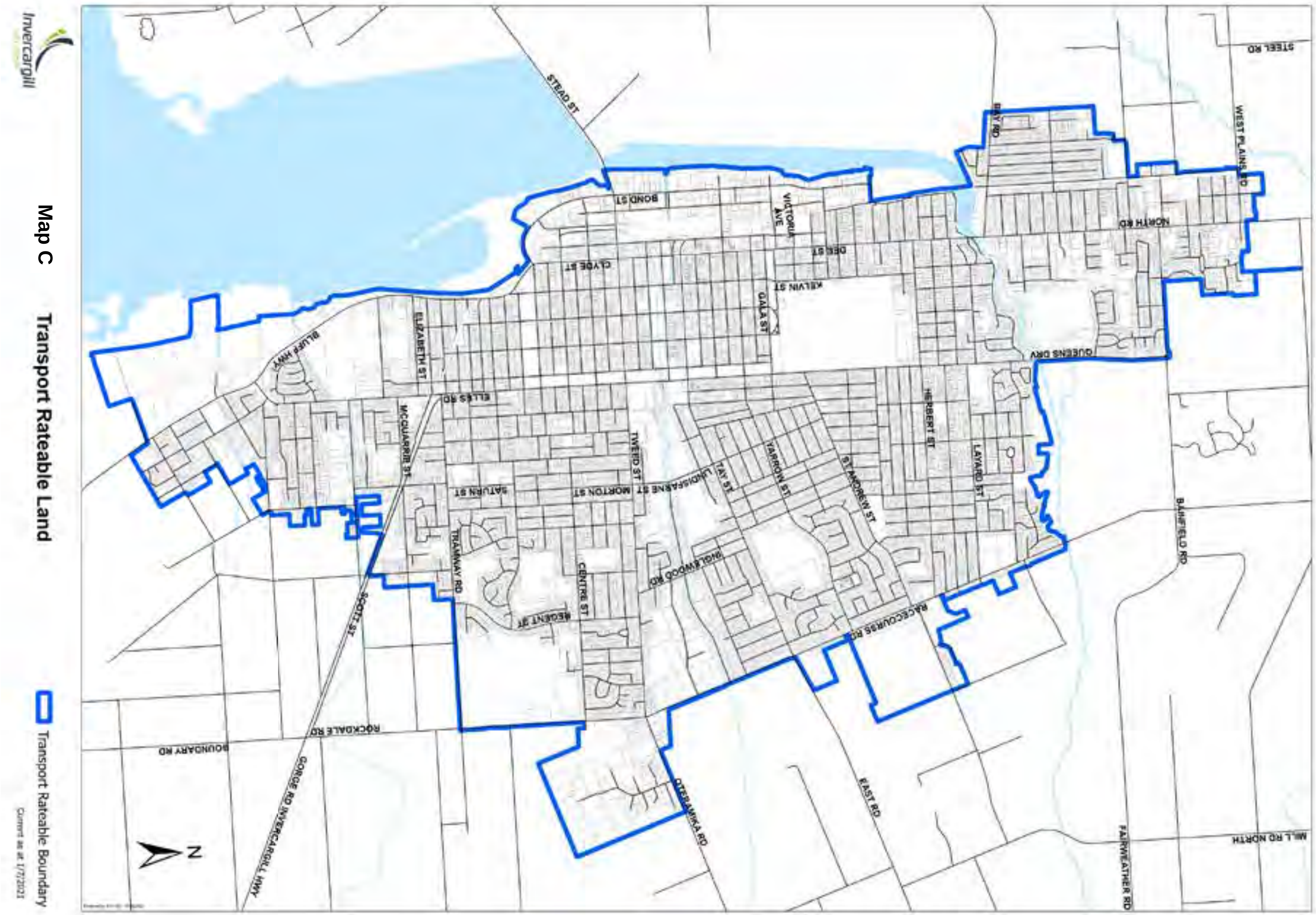
Policy Owner:
GM – Finance and Assurance

Map A. Bluff Community Board Rating Boundary



Map B. City Centre Coordinator Rating Boundary

Map C. Transportation Boundary



Total Rates to be Collected

Rating valuations were reviewed in 2023. This has resulted in a change in value of most properties in the district. Although the proposed overall rates increase is 9.88% for 2024/2025, many properties will have a rates change different to this.

The table of Rating Change below shows some examples of different properties, their valuation change and the impact this has had on the rates payable by the ratepayer.

TABLE OF RATING CHANGES

TYPE OF PROPERTY	RATEABLE VALUE (CURRENT) $	RATEABLE VALUE (PROPOSED) $	RATES 2023/24 $	RATES 2024/25 $	$ CHANGE ANNUAL	$ CHANGE WEEKLY	% CHANGE RATES
Residential	280,000	350,000	2,417	2,676	259	5	10.70%
Residential	325,000	390,000	2,612	2,829	217	4	8.30%
Residential	455,000	540,000	3,178	3,405	227	4	7.10%
Residential	680,000	830,000	4,157	4,519	362	7	8.70%
Residential	780,000	965,000	4,592	5,037	445	9	9.70%
Lifestyle	610,000	780,000	2,416	2,705	289	6	12.00%
Lifestyle	810,000	1,050,000	3,717	4,239	522	10	14.00%
Lifestyle	1,220,000	1,500,000	5,270	5,673	403	8	7.60%
Commercial	290,000	365,000	3,580	3,899	319	6	8.90%
Commercial	1,710,000	2,100,000	12,222	13,181	961	18	7.90%
Commercial	12,800,000	16,400,000	62,520	70,371	7,851	151	12.60%
Industrial	185,000	280,000	2,540	3,226	686	13	27.00%
Industrial	2,920,000	3,770,000	17,446	20,992	3,546	68	20.30%
Industrial	5,750,000	6,750,000	32,012	33,480	1,468	28	4.60%
Farms	690,000	740,000	1,713	1,778	65	1	3.80%
Farms	3,210,000	3,260,000	7,230	7,124	-106	-2	-1.50%
Farms	7,700,000	7,700,000	15,754	15,454	-300	-6	-1.90%

Funding Impact Statement - Invercargill City Council

(GST exclusive)

	ANNUAL PLAN	LONG-TERM PLAN									
FOR THE YEAR ENDED JUNE 30	**2023/24 $'000**	**2024/25 $'000**	**2025/26 $'000**	**2026/27 $'000**	**2027/28 $'000**	**2028/29 $'000**	**2029/30 $'000**	**2030/31 $'000**	**2031/32 $'000**	**2032/33 $'000**	**2033/34 $'000**
SOURCES OF OPERATIONAL FUNDING											
General rates, uniform annual general charges, rates penalties	43,605	47,677	51,981	56,631	63,506	68,083	72,336	73,095	75,903	79,070	74,903
Targeted rates	27,532	31,184	34,005	37,116	37,415	39,601	41,554	46,216	48,498	50,647	60,363
Subsidies and grants for operating purposes	5,675	5,492	5,736	5,880	5,435	5,503	5,559	5,670	5,783	5,894	6,006
Fees and charges	27,379	31,409	32,795	35,012	36,735	38,493	40,317	42,164	44,091	46,628	48,851
Interest and dividends from investments	8,345	13,100	12,975	13,216	13,412	13,757	14,106	14,462	14,841	15,214	15,600
Local authorities fuel tax, fines, infringement fees, and other receipts	2,526	9,015	7,746	8,374	8,675	8,877	9,047	9,428	9,718	9,496	10,064
Total operating funding (A)	**115,062**	**137,877**	**145,238**	**156,229**	**165,178**	**174,314**	**182,919**	**191,035**	**198,834**	**206,949**	**215,787**
APPLICATIONS OF OPERATIONAL FUNDING											
Payments to staff and suppliers	88,388	101,926	105,093	108,765	112,203	115,462	118,333	121,465	124,498	128,202	131,806
Finance costs	4,368	6,268	7,197	8,783	10,169	11,309	13,340	15,197	16,423	17,259	16,590
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**92,756**	**108,194**	**112,290**	**117,548**	**122,372**	**126,771**	**131,673**	**136,662**	**140,921**	**145,461**	**148,396**
Surplus (deficit) of operating funding (A – B)	**22,306**	**29,683**	**32,948**	**38,681**	**42,806**	**47,543**	**51,246**	**54,373**	**57,913**	**61,488**	**67,391**
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	10,946	14,238	6,858	9,580	8,417	9,947	9,019	8,480	8,650	8,822	8,990
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	23,644	23,335	39,447	34,635	28,502	50,773	46,427	30,660	20,896	(16,716)	30,792
Gross proceeds from sale of assets	-	2,233	1,593	10,189	180	180	180	180	180	180	180
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**34,590**	**39,806**	**47,898**	**54,404**	**37,099**	**60,900**	**55,626**	**39,320**	**29,726**	**(7,714)**	**39,962**
APPLICATION OF CAPITAL FUNDING											
Capital expenditure											
▪ to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
▪ to improve the level of service	26,079	44,389	42,686	36,005	18,274	58,089	51,895	26,710	34,751	7,822	24,462
▪ to replace existing assets	26,079	38,088	33,220	51,828	56,316	44,824	49,224	60,972	46,631	39,445	76,123
Increase (decrease) in reserves	4,105	-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments	633	(12,988)	4,940	5,252	5,315	5,530	5,753	6,011	6,257	6,507	6,768
Total applications of capital funding (D)	**56,896**	**69,489**	**80,846**	**93,085**	**79,905**	**108,443**	**106,872**	**93,693**	**87,639**	**53,774**	**107,353**
Surplus (deficit) of capital funding (C - D)	**(22,306)**	**(29,683)**	**(32,948)**	**(38,681)**	**(42,806)**	**(47,543)**	**(51,246)**	**(54,373)**	**(57,913)**	**(61,488)**	**(67,391)**
FUNDING BALANCE ((A – B) + (C – D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation expense (not included in the above FIS)	41,663	47,038	50,429	51,890	49,150	53,187	52,531	52,212	53,744	58,478	57,630

Financial Management

Te Whakahaere Pūtea

Under the Local Government Act, Council must 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:

- Prospective Statement of Comprehensive Revenue and Expense
- Prospective Statement of Cashflows
- Prospective Statement of Financial Position
- Prospective Statement of Changes in Equity
- Reconciliations from Funding Impact Statements to Statement of Comprehensive Revenue & Expense
- Schedule of Reserve Funds
- Prospective Statement of Accounting Policies.

All figures are GST exclusive unless otherwise stated

Prospective Statement of Comprehensive Revenue & Expense

	ANNUAL PLAN	FORECAST*	LONG-TERM PLAN									
	2023/24 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
REVENUE												
Rates revenue	71,137	71,372	78,861	85,986	93,747	100,921	107,684	113,890	119,311	124,401	129,717	135,266
Fines	475	733	1,519	1,553	1,589	1,698	1,735	1,772	1,890	1,928	1,965	2,092
Subsidies and grants	16,621	16,482	19,730	12,594	15,460	13,852	15,450	14,578	14,150	14,433	14,716	14,996
Direct charges revenue	25,777	27,770	35,206	35,184	37,873	39,664	41,463	43,298	45,322	47,413	49,606	52,184
Rental revenue	3,653	3,428	3,699	3,804	3,924	4,048	4,172	4,294	4,380	4,468	4,553	4,639
Finance revenue	3,042	3,887	3,643	3,398	3,511	3,576	3,792	4,016	4,250	4,493	4,745	5,008
Dividends	5,303	5,478	9,457	9,577	9,705	9,836	9,965	10,090	10,212	10,348	10,469	10,592
Total revenue (excluding gains)	126,008	129,150	152,115	152,096	165,809	173,595	184,261	191,938	199,515	207,484	215,771	224,777
EXPENSES												
Employee expenses	33,005	33,807	36,019	37,061	38,139	39,254	40,411	41,580	42,954	44,210	45,485	46,806
Depreciation and amortisation	41,663	42,639	47,038	50,429	51,890	49,150	53,187	52,531	52,212	53,744	58,478	57,630
General expenses	55,383	60,296	65,856	67,953	70,545	72,866	74,967	76,667	78,452	80,229	82,656	84,938
Finance expenses	4,368	4,920	6,268	7,197	8,783	10,169	11,309	13,340	15,197	16,423	17,259	16,590
Total expenses	134,419	141,662	155,181	162,640	169,357	171,439	179,874	184,118	188,815	194,606	203,878	205,964
OTHER GAINS/(LOSSES)												
Net gain/(loss on sale of property, plant and equipment	-	-	150	475	9,831	180	180	180	180	180	180	180
Investment property revaluations - gain / (loss)	1,279	1,073	781	581	645	633	620	604	617	600	612	593
Forestry assets revaluations - gain / (loss)	184	168	131	99	110	108	106	103	106	103	105	102
Total other gains/(losses)	1,463	1,241	1,062	1,155	10,586	921	906	887	903	883	897	875
Surplus / (deficit) before tax	(6,948)	(11,271)	(2,004)	(9,389)	7,038	3,077	5,293	8,707	11,603	13,761	12,790	19,688
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) after tax	**(6,948)**	**(11,271)**	**(2,004)**	**(9,389)**	**7,038**	**3,077**	**5,293**	**8,707**	**11,603**	**13,761**	**12,790**	**19,688**
OTHER COMPREHENSIVE REVENUE AND EXPENSE												
Property, plant and equipment revaluation gain / (loss)	-	50,904	62,785	-	-	91,013	-	-	94,208	-	-	101,736
Carbon credit revaluation gains/(losses)	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow hedges Cashflow hedges Cashflow hedges	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue & expense	-	50,904	62,785	-	-	91,013	-	-	94,208	-	-	101,736
Total comprehensive revenue & expense	**(6,948)**	**39,633**	**60,781**	**(9,389)**	**7,038**	**94,090**	**5,293**	**8,707**	**105,811**	**13,761**	**12,790**	**121,424**

* Forecast 2023/24 represents the Annual Plan 2023/24 plus adjustments for actuals from the Annual Report 2022/23 and large transactions which have occurred during the 2023/24 financial year.

Prospective Statement of Cashflows

	ANNUAL PLAN	FORECAST*	LONG-TERM PLAN									
	2023/24 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts from rates revenue	71,137	71,372	78,861	85,986	93,747	100,921	107,684	113,890	119,311	124,401	129,717	135,266
Receipts from other revenue	46,526	48,413	59,619	53,135	58,846	59,262	62,819	63,942	65,743	68,241	70,839	73,911
Interest received	3,042	3,887	3,643	3,398	3,511	3,576	3,792	4,016	4,250	4,493	4,745	5,008
Dividend received	5,303	5,478	9,457	9,577	9,705	9,836	9,965	10,090	10,212	10,348	10,469	10,592
Payments to suppliers and employees	(88,203)	(94,103)	(101,926)	(105,093)	(108,765)	(112,203)	(115,462)	(118,333)	(121,465)	(124,498)	(128,202)	(131,806)
Interest paid	(4,368)	(4,920)	(6,268)	(7,197)	(8,783)	(10,169)	(11,309)	(13,340)	(15,197)	(16,423)	(17,259)	(16,590)
Net cash flows from operating activities	**33,437**	**30,127**	**43,386**	**39,806**	**48,261**	**51,223**	**57,489**	**60,265**	**62,854**	**66,562**	**70,309**	**76,381**
CASH FLOWS FROM INVESTING ACTIVITIES												
Cash was provided from												
Proceeds from sale of property, plant and equipment	-	-	253	1,293	10,083	180	180	180	180	180	180	180
Proceeds from sale of investment property	-	-	1,980	300	106	-	-	-	-	-	-	-
Proceeds from sale of investments	-	11,450	18,000	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(49,901)	(46,890)	(78,672)	(72,396)	(84,240)	(70,915)	(99,157)	(97,284)	(86,625)	(80,304)	(46,167)	(99,464)
Purchase of biological assets	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of intangible assets	(2,257)	(3,881)	(3,599)	(3,510)	(3,593)	(3,675)	(3,756)	(3,835)	(1,057)	(1,078)	(1,100)	(1,121)
Purchase of investment property	-	-	(206)	-	-	-	-	-	-	-	-	-
Purchase of investments	(4,923)	(24,581)	(5,063)	(5,219)	(5,333)	(5,398)	(5,613)	(5,839)	(6,071)	(6,315)	(6,567)	(6,830)
Net cash flows from investing activities	**(57,081)**	**(63,902)**	**(67,307)**	**(79,532)**	**(82,977)**	**(79,808)**	**(108,346)**	**(106,778)**	**(93,573)**	**(87,517)**	**(53,654)**	**(107,235)**
CASH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from borrowings	23,644	21,229	26,153	42,882	38,576	33,061	55,840	52,399	37,460	28,243	-	38,213
Repayments of borrowings	-	-	(2,818)	(3,435)	(3,941)	(4,559)	(5,067)	(5,972)	(6,800)	(7,347)	(16,716)	(7,421)
Net cash flows from financing activities	**23,644**	**21,229**	**23,335**	**39,447**	**34,635**	**28,502**	**50,773**	**46,427**	**30,660**	**20,896**	**(16,716)**	**30,792**
Net (decrease) increase in cash and cash equivalents	**0**	**(12,546)**	**(586)**	**(279)**	**(81)**	**(83)**	**(84)**	**(86)**	**(59)**	**(59)**	**(61)**	**(62)**
Cash and cash equivalents at the beginning of the year	11,096	15,443	2,897	2,311	2,032	1,951	1,868	1,784	1,698	1,639	1,580	1,519
Cash and cash equivalents at end of the year	**11,096**	**2,897**	**2,311**	**2,032**	**1,951**	**1,868**	**1,784**	**1,698**	**1,639**	**1,580**	**1,519**	**1,457**

* Forecast 2023/24 represents the Annual Plan 2023/24 plus adjustments for actuals from the Annual Report 2022/23 and large transactions which have occurred during the 2023/24 financial year.

Prospective Statement of Financial Position

	ANNUAL PLAN	FORECAST*	LONG-TERM PLAN									
	2023/24 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
ASSETS												
Current assets												
Cash and cash equivalents	11,096	2,897	2,311	2,032	1,951	1,868	1,784	1,698	1,639	1,580	1,519	1,457
Receivables	13,901	16,428	17,025	17,491	17,989	18,498	18,996	19,482	19,954	20,437	20,904	21,380
Prepayments	1,333	1,333	1,372	1,402	1,434	1,467	1,499	1,530	1,561	1,592	1,622	1,653
Inventories	500	602	619	633	648	663	678	692	706	720	734	748
Other financial assets	18,717	19,614	24,676	29,896	35,226	40,624	46,238	52,076	58,147	64,464	71,032	77,863
Total current assets	**45,547**	**40,874**	**46,003**	**51,454**	**57,248**	**63,120**	**69,195**	**75,478**	**82,007**	**88,793**	**95,811**	**103,101**
Non-current assets												
Property, plant and equipment	1,101,781	1,164,629	1,261,291	1,285,396	1,320,513	1,436,507	1,485,842	1,534,085	1,666,309	1,695,635	1,685,537	1,830,955
Intangible assets	7,421	8,577	9,932	10,614	11,165	11,624	12,016	12,360	9,814	8,125	7,012	6,285
Biological assets	4,271	4,371	4,502	4,601	4,712	4,820	4,926	5,030	5,135	5,238	5,343	5,444
Investment property	29,699	27,909	26,815	26,967	27,531	28,164	28,783	29,388	30,005	30,605	31,217	31,810
Investment in Subsidiaries	76,569	76,569	76,569	76,569	76,569	76,569	76,569	76,569	76,569	76,569	76,569	76,569
Derivative financial instruments	481	751	751	751	751	751	751	751	751	751	751	751
Other financial assets	33,927	37,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641
Total non-current assets	**1,254,149**	**1,320,447**	**1,399,501**	**1,424,539**	**1,460,882**	**1,578,076**	**1,628,528**	**1,677,824**	**1,808,224**	**1,836,564**	**1,826,070**	**1,971,455**
TOTAL ASSETS	**1,299,696**	**1,361,321**	**1,445,504**	**1,475,993**	**1,518,130**	**1,641,196**	**1,197,723**	**1,753,302**	**1,890,231**	**1,925,357**	**1,921,881**	**2,075,556**
LIABILITIES												
Current liabilities												
Trade and other payables	15,943	18,683	19,225	19,648	20,100	20,562	21,014	21,455	21,884	22,322	22,746	23,178
Provisions	112	586	79	81	83	84	86	59	60	61	62	63
Employee benefit liabilities	3,866	3,783	3,893	3,979	4,071	4,165	4,257	4,346	4,433	4,522	4,608	4,696
Borrowings - Current	32,012	31,615	36,282	44,211	51,138	56,839	66,993	76,279	82,411	86,590	83,247	89,405
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**51,933**	**54,667**	**59,479**	**67,919**	**75,392**	**81,650**	**92,350**	**102,139**	**108,788**	**113,495**	**110,663**	**117,342**
Non-current liabilities												
Provisions	816	877	798	717	634	550	464	405	345	285	223	160
Employee benefit liabilities	26	27	28	29	30	31	32	33	34	35	36	37
Borrowings - Non Current	118,507	126,659	145,327	176,845	204,553	227,354	267,973	305,114	329,642	346,359	332,986	357,620
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**119,349**	**127,563**	**146,153**	**177,591**	**205,217**	**227,935**	**268,469**	**305,552**	**330,021**	**346,679**	**333,245**	**357,817**
TOTAL LIABILITIES	**171,282**	**182,230**	**205,632**	**245,510**	**280,609**	**309,585**	**360,819**	**407,691**	**438,809**	**460,174**	**443,908**	**475,159**

* Forecast 2023/24 represents the Annual Plan 2023/24 plus adjustments for actuals from the Annual Report 2022/23 and large transactions which have occurred during the 2023/24 financial year.

Prospective Statement of Financial Position

	ANNUAL PLAN	FORECAST*	LONG-TERM PLAN									
	2023/24 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
EQUITY												
Retained earnings	353,047	365,898	361,211	347,593	358,916	360,124	362,729	368,644	377,722	388,431	397,984	414,423
Restricted reserves	57,344	40,034	42,717	46,946	42,661	44,530	47,218	50,010	52,535	55,587	58,824	62,073
Hedging reserves	481	751	751	751	751	751	751	751	751	751	751	751
Carbon credit revaluation reserves	2,229	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126
Asset revaluation reserves	715,313	771,282	834,067	834,067	834,067	925,080	925,080	925,080	1,019,288	1,019,288	1,019,288	1,121,024
TOTAL EQUITY	**1,128,414**	**1,179,091**	**1,239,872**	**1,230,483**	**1,237,521**	**1,331,611**	**1,336,904**	**1,345,611**	**1,451,422**	**1,465,183**	**1,477,973**	**1,599,397**
TOTAL LIABILITIES AND EQUITY	**1,299,696**	**1,361,321**	**1,445,504**	**1,475,993**	**1,518,130**	**1,641,196**	**1,697,723**	**1,753,302**	**1,890,231**	**1,925,357**	**1,921,881**	**2,074,556**

* Forecast 2023/24 represents the Annual Plan 2023/24 plus adjustments for actuals from the Annual Report 2022/23 and large transactions which have occurred during the 2023/24 financial year.

Prospective Statement of Changes in Equity

	ANNUAL PLAN	FORECAST*	LONG-TERM PLAN									
	2023/24 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
Balance at 1 July	1,135,362	1,139,458	1,179,091	1,239,872	1,230,483	1,237,521	1,331,611	1,336,904	1,345,611	1,451,422	1,465,183	1,477,973
Total comprehensive revenue & expense for the year	(6,948)	39,633	60,781	(9,389)	7,038	94,090	5,293	8,707	105,811	13,761	12,790	121,424
Balance at 30 June	**1,128,414**	**1,179,091**	**1,239,872**	**1,230,483**	**1,237,521**	**1,331,611**	**1,336,904**	**1,345,611**	**1,451,422**	**1,465,183**	**1,477,973**	**1,599,397**
COMPONENTS OF EQUITY												
Retained earnings at 1 July	366,773	378,519	365,898	361,211	347,593	358,916	360,124	362,729	368,644	377,722	388,431	397,984
Net surplus/(deficit) for the year	(6,948)	39,633	60,781	(9,389)	7,038	94,090	5,293	8,707	105,811	13,761	12,790	121,424
Transfers (to)/from restricted reserves	(6,779)	(1,350)	(2,683)	(4,229)	4,285	(1,869)	(2,688)	(2,792)	(2,525)	(3,052)	(3,237)	(3,249)
Transfers (to) /from hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (to) /from carbon credit revaluation reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (to)/from asset revaluation reserves	-	(50,904)	(62,785)	-	-	(91,013)	-	-	(94,208)	-	-	(101,736)
Retained earnings at 30 June	**353,047**	**365,898**	**361,211**	**347,593**	**358,916**	**360,124**	**362,729**	**368,644**	**377,722**	**388,431**	**397,984**	**414,423**
Restricted reserves at 1 July	50,566	38,684	40,034	42,717	46,946	42,661	44,530	47,218	50,010	52,535	55,587	58,824
Transfers to/(from) reserves	6,779	1,350	2,683	4,229	(4,285)	1,869	2,688	2,792	2,525	3,052	3,237	3,249
Restricted reserves at 30 June	**57,344**	**40,034**	**42,717**	**46,946**	**42,661**	**44,530**	**47,218**	**50,010**	**52,535**	**55,587**	**58,824**	**62,073**
Hedging reserves at 1 July	481	751	751	751	751	751	751	751	751	751	751	751
Transfers to/(from) reserves	-	-	-	-	-	-	-	-	-	-	-	-
Hedging reserves at 30 June	**481**	**751**	**751**	**751**	**751**	**751**	**751**	**751**	**751**	**751**	**751**	**751**
Carbon credit revaluation reserves at 1 July	2,229	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126
Transfers to/(from) reserves	-	-	-	-	-	-	-	-	-	-	-	-
Carbon credit revaluation reserves at 30 June	**2,229**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**	**1,126**
Asset revaluation reserves at 1 July	715,313	720,378	771,282	834,067	834,067	834,067	925,080	925,080	925,080	1,019,288	1,019,288	1,019,288
Transfers to/(from) reserves	-	50,904	62,785	-	-	91,013	-	-	94,208	-	-	101,736
Asset revaluation reserves at 30 June	**715,313**	**771,282**	**834,067**	**834,067**	**834,067**	**925,080**	**925,080**	**925,080**	**1,019,288**	**1,019,288**	**1,019,288**	**1,121,024**

* Forecast 2023/24 represents the Annual Plan 2023/24 plus adjustments for actuals from the Annual Report 2022/23 and large transactions which have occurred during the 2023/24 financial year.

Financial Statement Reconciliations

Rates Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

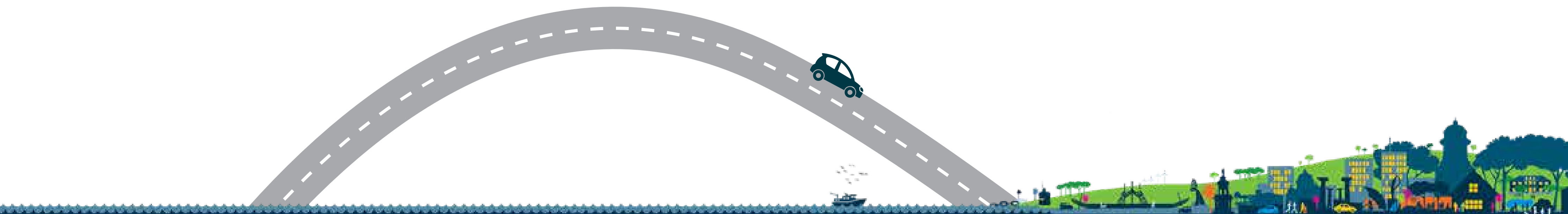
	ANNUAL PLAN	LONG-TERM PLAN									
	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
General rates, uniform annual general charges, rates penalties	43,605	47,677	51,981	56,631	63,506	68,083	72,336	73,095	75,903	79,070	74,903
Targeted rates	27,532	31,184	34,005	37,116	37,415	39,601	41,554	46,216	48,498	50,647	60,363
Total rates revenue as per Funding Impact Statement	**71,137**	**78,861**	**85,986**	**93,747**	**100,921**	**107,684**	**113,890**	**119,311**	**124,401**	**129,717**	**135,266**
Rates revenue	71,137	78,861	85,986	93,747	100,921	107,684	113,890	119,311	124,401	129,717	135,266
Total rates revenue as per Statement of Comprehensive Revenue & Expense	**71,137**	**78,861**	**85,986**	**93,747**	**100,921**	**107,684**	**113,890**	**119,311**	**124,401**	**129,717**	**135,266**

Operating Revenue Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	ANNUAL PLAN	LONG-TERM PLAN									
	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
Total operating funding as per Funding Impact Statement	115,062	137,877	145,238	156,229	165,178	174,314	182,919	191,035	198,834	206,949	215,787
PLUS: Capital funding - Subsidies amd grants for capital expenditure	10,946	14,238	6,858	9,580	8,417	9,947	9,019	8,480	8,650	8,822	8,990
Total revenue funding as per Statement of Comprehensive Revenue and Exepnse	**126,008**	**152,115**	**152,096**	**165,809**	**173,595**	**184,261**	**191,938**	**199,515**	**207,484**	**215,771**	**224,777**
Rates revenue	71,137	78,861	85,986	93,747	100,921	107,684	113,890	119,311	124,401	129,717	135,266
Fines	475	1,519	1,553	1,589	1,698	1,735	1,772	1,890	1,928	1,965	2,092
Subsidies and grants	16,621	19,730	12,594	15,460	13,852	15,450	14,578	14,150	14,433	14,716	14,996
Direct charges revenue	25,777	35,206	35,184	37,873	39,664	41,463	43,298	45,322	47,413	49,606	52,184
Rental revenue	3,653	3,699	3,804	3,924	4,048	4,172	4,294	4,380	4,468	4,553	4,639
Finance revenue	3,042	3,643	3,398	3,511	3,576	3,792	4,016	4,250	4,493	4,745	5,008
Dividends	5,303	9,457	9,577	9,705	9,836	9,965	10,090	10,212	10,348	10,469	10,592
Total revenue	**126,008**	**152,115**	**152,096**	**165,809**	**173,595**	**184,261**	**191,938**	**199,515**	**207,484**	**215,771**	**224,777**

Operating Expenditure Reconciliation from Funding Impact Statements to Statement of Comprehensive Revenue & Expense

	ANNUAL PLAN	LONG-TERM PLAN									
	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)	2031/32 ($000)	2032/33 ($000)	2033/34 ($000)
Total application of operating funding as per Funding Impact Statement	92,756	108,194	112,290	117,548	122,372	126,771	131,673	136,662	140,921	145,461	148,396
PLUS: Depreciation expense (not in Funding Impact Statement)	41,663	47,038	50,429	51,890	49,150	53,187	52,531	52,212	53,744	58,478	57,630
LESS: Provision movement (not in Funding Impact Statement)	0	(51)	(79)	(81)	(83)	(84)	(86)	(59)	(59)	(61)	(62)
Total revenue funding as per Statement of Comprehensive Revenue and Exepnse	**134,419**	**155,181**	**162,640**	**169,357**	**171,439**	**179,874**	**184,118**	**188,815**	**194,606**	**203,878**	**205,964**
Employee expenses	33,005	36,019	37,061	38,139	39,254	40,411	41,580	42,954	44,210	45,485	46,806
Depreciation and amortisation	41,663	47,038	50,429	51,890	49,150	53,187	52,531	52,212	53,744	58,478	57,630
Other expenses	55,383	65,856	67,953	70,545	72,866	74,967	76,667	78,452	80,229	82,656	84,938
Finance expenses	4,368	6,268	7,197	8,783	10,169	11,309	13,340	15,197	16,423	17,259	16,590
Total expenses	**134,419**	**155,181**	**162,640**	**169,357**	**171,439**	**179,874**	**184,118**	**188,815**	**194,606**	**203,878**	**205,964**



Schedule of Reserves

Reserve funds

Reserves are held to ensure that funds received for a particular purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserves are credited with interest. As at 30 June 2023, the Council holds $38.7 million reserves, with $26.1 million being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that Council may put the funds towards. The remaining Council created reserves are discretionary reserves which Council has established for the fair and transparent use of monies.

Below is a list of current reserves outlining the purpose for holding each reserve and Council activity to which each reserve relates, together with summary financial information across the 10 years of the Long-term Plan.

RESTRICTED RESERVES The reserves can only be used for the purpose designated.	Opening Balance 2024/2025 ($,000)	Transfers In 2024/2025 to 2030/31 ($,000)	Transfers Out 2024/2025 to 2030/31 ($,000)	Closing Balance 2033/34 ($,000)
Category A (Legal Restriction) The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks Activity and is to maintain the Feldwick gates at Queens Park.	422	181	-	603
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	12,580	5,408	-	17,988
Category C (Specific purpose) These reserves are to maintain and provide for improvements to separately identifable areas. (Parks Crematorium and Cemetary, Community Centres, Waste and Infrastructure activities)	13,074	5,620	-	18,694
NON RESTRICTED RESERVES				
Council Created Reserves To provide funding for the ongoing operations and replacement of assets in the future. (All Activities)	13,958	15,961	(5,131)	24,788
	40,034	27,170	(5,131)	62,073

Statement of Accounting Policies

Reporting Entity

Invercargill City Council ("Council") is a territorial local authority governed by the Local Government Act 2002.

Council has not presented group prospective financial statements because Council believes that the parent prospective financial statements are more relevant to the users.

The main purpose of the prospective financial statements in the Long-term Plan is to provide users with future-orientated information about core services that Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Council is classified as a Tier 1 Public Sector Public Benefit Entity ("PBE") for financial reporting purposes.

The information in these prospective financial statements may not be appropriate for purposes other than those described.

Basis of Preparation

The prospective financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently over the 10 years of the Long-term Plan.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure assets, investment property, biological assets and financial instruments (including derivative instruments).

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expense.

Statement Of Compliance

The prospective financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards including compliance with PBE FRS 42.

There are no pending updates to standards, amendments or interpretations to be adopted by Invercargill City Council for the purposes of this Long-term Plan. Invercargill City Council will adopt new standards, amendments or interpretations as they are finalised, through subsequent Long-term and Annual Plans.

These prospective financial statements comply with the requirements of the Local Government Act 2002, Part 6 Section 95 and Part 2 of Schedule 10 which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) with the exception of the Funding Impact Statements (FIS).

In preparing these prospective statements, estimates and assumptions have been made concerning the future. Detail on these estimates and assumptions can be found on page 223 under Key Assumptions.

The prospective financial statements were issued on 27 June 2024 by Invercargill City Council. Invercargill City Council is responsible for the prospective financial statements including the appropriateness of assumptions underlying the prospective financial statements and all other disclosures. The prospective financial statements are calculated using forecast results for the 2023/24 financial year in the prospective statement of financial position, prospective statement of movements in equity and prospective statement of cash flows. There is no intention to update the prospective financial statement after the issue date.

Associates

Council accounts for investments in associates in the group financial statements use the cost method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture generally accompanying a shareholding of between 20-50 per cent of voting rights.

The Council's share of associates profits or losses is recognised in surplus or deficit and reserves in reserves. The cumulative movements are adjusted against the carrying value of the investment.

When Council's share of losses in associates equals or exceeds its interest in the associate Council does not recognise any further losses.

Joint Ventures

Joint Operation

Joint operations are those operations that Council has joint control, established by contractual agreement. Council's share of the surplus or deficit of the joint operation is recognised in Council's Statement of Comprehensive Revenue and Expenses, from the date joint control commences until the date control ceases.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to Council and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

PBE IPSAS 23.106(a) requires, either in the statement of financial position or the notes, that entities disclose the amount of revenue from non-exchange transactions by major classes, showing separately; i) taxes, showing separately major classes of taxes; and ii) transfers, showing separately major classes of transfer revenue.

Due to the difficulty in classifying revenue as either an exchange or non-exchange transaction and the separate labelling of revenue as exchange or non-exchange generally does not provide any additional useful information (and is therefore unlikely to be material), we have decided to not label revenue as exchange or non-exchange in the Prospective Statement of Comprehensive Revenue and Expenses.

Revenue from non-exchange transactions:

General and targeted rates

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Government Grants and Funding

Council receives government grants from Waka Kotahi the New Zealand Transport Agency, which subsidises part of Council's costs in maintaining the local roading infrastructure.

Revenues from non-exchange transactions with the Government and government agencies are recognised when Council obtains control of the transferred asset (cash, goods, services, or property), and:

- It is probable that the economic benefits or service potential related to the asset will flow to Council and can be measured reliably; and
- The transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled.

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to Council at the time of transfer.

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only when Council has satisfied these conditions.

New Zealand Units (NZU's) allocated by the Crown represent non-monetary government grants and are initially recognised at nil value. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Fines

Traffic and parking infringements are recognised when tickets are issued.

Direct Charges - Subsidised

(i) Rendering of services

Rendering of services at a price that is not approximately equal to the value of the service provided by Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow Council to fully recover the cost of providing the service (such as resource consents, building consents, water connections, dog licensing, etc.), and where the shortfall is subsidised by revenue from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when Council issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that Council has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from Council for the service) if the service is not completed.

(ii) Sale of goods - subsidised
The sale of goods at a price that is not approximately equal to the value of the goods provided by Council is considered a non-exchange transaction. This includes the sale of goods where the price does not allow Council to fully recover the cost of producing the goods, and where the shortfall is subsidised by revenue from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when Council issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained.

Revenue from exchange transactions:
Direct charges - full cost recovery

(i) Rendering of other services - full cost recovery Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

(ii) Sale of goods - full cost recovery
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have bene transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involved with the goods.

Interest Revenue
Interest revenue is recognised using the effective interest method.

Dividends
Dividends are recognised when the right to receive payment has been established.

Rental Revenue
Rental revenue from investment property is recognised on a straight-line basis over the term.

Borrowing costs

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

Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prioryears. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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 business 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 interests 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date. 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset, or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases
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.

Financial assets

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 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 andexpense. 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 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 expected credit losses (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.

Trade and other receivables
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 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 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.

Cash and cash equivalents
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.

Borrowings
Borrowings are initially recognised at their fair value, net of any transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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.

Trade and other payables
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.

Accounting for derivative financial instruments and hedging activities
Council uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at its fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges
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 Council 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.

Borrower notes
Borrower notes are subordinated convertible debt instruments that Council subscribes for an amount equal to 2.5% of the total borrowing from LGFA. LGFA will redeem borrower notes when 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.

Property, plant and equipment

Property, plant and equipment consists of:

Operational assets - These include land, buildings, library books, plant and equipment, motor vehicles, furniture and fittings.

Restricted assets - Restricted assets are parks and reserves owned by Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets - Infrastructure assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Proceeds earned while bringing an asset into use require the proceeds and relevant costs to be recognised in surplus or deficit

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

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

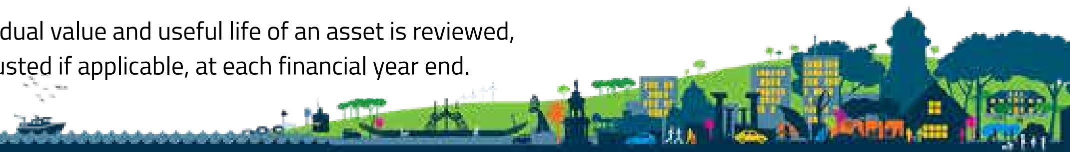
Depreciation

Depreciation is provided on a straight-line and diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

COUNCIL OPERATIONAL ASSETS	
BUILDINGS	**DEPRECIATION RATE**
▪ Structures	1%-5% SL
▪ Roof	1.67%-3.34% SL
▪ Electrical	2.14%-3.34% SL
▪ Plumbing	2.14% - 3.34% SL
▪ Internal Fitout	2.50% - 6.67% SL
▪ Plant	1.35% - 6.67% SL
LIBRARY BOOKS	**DEPRECIATION RATE**
▪ Library Books	6.85% - 10.59% SL
PLANT AND EQUIPMENT	**DEPRECIATION RATE**
▪ Plant	2% - 80% DV
MOTOR VEHICLES	**DEPRECIATION RATE**
▪ Motor Vehicles	21% - 31% DV
FURNITURE & FITTINGS	**DEPRECIATION RATE**
▪ Furniture & Fittings	15% - 33% DV

COUNCIL INFRASTRUCTURAL ASSETS	
ROADS AND BRIDGES	**DEPRECIATION RATE**
Total Pavement Layers	1.16%-1.23% SL
Total Roadway Assets	1.32%-5% SL
Traffic Signs	3.34%-4.1% SL
Street Lights	2%-4.94% SL
Other Asset	1%-15.35% SL
STORMWATER SYSTEMS	**DEPRECIATION RATE**
▪ Stormwater	1%-4% SL
WASTEWATER SYSTEMS	**DEPRECIATION RATE**
▪ Wastewater	1%-12.15% SL
WATER	**DEPRECIATION RATE**
▪ Water	1%-12.15% SL
COUNCIL RESTRICTED ASSETS	**DEPRECIATION RATE**
Buildings	1%-19.2% SL
Monuments and Statues	2% SL
Hard Surfaces and Appurtenance	1%-21.6% SL/DV/NOND

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.



Revaluation

Those asset classes that are revalued are valued on a valuation cycle as described below on the basis described below. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Valuation

All assets are valued at historic cost less accumulated depreciation and impairment costs, except the following:

- Operational land and buildings have been valued at fair value. Valuations are completed three yearly.
- Investment property is valued annually at fair value. Any adjustment to the values is accounted for as an increase (decrease) in the Statement of Comprehensive Revenue and Expense.
- 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.

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 and Bridges and footpaths are valued at optimized depreciated replacement cost, being replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuation has been completed by Council staff and reviewed by IAM Consulting. The current valuation is as at 30 June 2023. Valuations are completed three yearly.

Stormwater, Wastewater and Water Systems
Assets are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Council's water, stormwater and waste water assets were valued by Beca Limited. The current valuation is as at 30 June 2022. Valuations are completed three yearly.

Vested assets
Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process.

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.

Accounting for revaluations
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. 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.

Restricted assets

Land and buildings in the 'Restricted Asset' category are subject to restrictions on either their 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 through a bequest or donation that restricts the purpose for which the asset can be used).

Intangible assets

Intangible assets that are acquired by Council 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.

Goodwill
Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

Carbon Credits Intangible Assets
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.

Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. The forests are valued annually effective 30 June. The 2023 valuation was performed by Allan Bell & Associates. 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.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

Investment land and buildings have been valued at fair value by Registered Valuer, Robert Todd of Telfer Young. This valuation was as at 30 June 2023 and will be carried out on an annual basis. Any adjustment to the values has been accounted for as an increase (decrease) in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses. Fair value measurement of self-constructed investment property can begin before the construction is completed.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Impairment of non-financial assets

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.

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.

Provision for onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it, which includes amounts recoverable. The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

- The incremental costs of fulfilling that contract—for example, direct labour and materials; and
- And an allocation of other costs that relate directly to fulfilling the contract.

Employee benefits

Short-term benefits

Employee benefits 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

Council'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 Council'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.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

· Retained earnings

· Council reserves (includes sinking funds, special reserves and endowment reserves)

· Fair value and hedging reserves

· Asset revaluation reserves

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, 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 disclosed exclusive of GST.

Cost allocation

Council has derived the cost of service for each significant activity of 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.

Critical accounting estimates and assumptions

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 ndicators and impairment testing, Council classifies nonfinancial assets as either cash-generating or noncash- generating assets. Council 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.

Properties
Council owns a number of properties, which are maintained primarily to provide the elderly persons housing activity. 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 Council's social housing policy. These properties are accounted for as property, plant and equipment.

Infrastructural Assets
There are a number of assumptions and estimates used when performing ODRC valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that 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 deprecation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. 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 Council's asset management planning activities, which gives Council further assurance over its useful life estimates. Experienced independent valuers review Council's infrastructural asset revaluations.
- As a result of rounding there maybe slight discrepancies in subtotals and the financial statement in section 5 and funding impact statements.

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 deprecation 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.

Non-current asset held for sale
All non-current assets intended for sale are measured at the lower of carrying amount and fair value less costs to sell. Interest and other expenses relating to the liabilities of properties held for sale continue to be recognised. Non-current assets held for sale are classified as held for sale if they meet all of the following conditions:

- their carrying amount will be recovered principally through a sale transaction and not through continuing use; and
- the intention is to sell them within 12 months of the end of year; and
- they are being actively marketed or their sale is under negotiation.

Any ECL of non-current assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Other expenses
Expenses are recognised in the period to which they relate.

Prospective financial information
The financial information contained within this document is prospective financial information in terms of accounting standard FRS42 and complies with the standard. The purpose for which it has been prepared is to enable ratepayers, residents and any other interest parties to obtain information about the expected future financial performance, position and cash flow of the Council. The actual result achieved for any particular financial year is also likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The prospective financial statements of Council are for the ten years ended 30 June 2024-2034. The prospective financial statements were authorised for issue by Council on 30 June 2024.

Council does not have the power to amend the prospective financial statements after issue. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Changes in accounting policies

The following changes to the accounting policies occurred during the year ended 30 June 2024.

- PBE IPSAS 16 Investment Property: The amendments clarified that fair value measurement of self-constructed investment property can begin before the construction is completed.
- PBE IPSAS 17 Property, Plant and Equipment: The amendments changed 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 19 Provisions, Contingent Liabilities and Contingent Assets: The amendment clarified the costs of fulfilling a contract that the Council includes when assessing whether a contract will be loss-making or onerous and therefore whether a provision needs to be recognised. PBE IFRS 17 Insurance Contracts: the adoption of the standard has not had a significant impact on financial statements disclosure.

Funding Impact Statement (FIS)

The purpose of the funding impact statement is to provide information about the income and funding streams Council will use and an indication of the amount of funding Council will generate from each stream.

Council will use a mix of revenue sources to meet operating expenses, with major sources being general and targeted rates, NZTA/Waka Kotahi subsidies and fees and charges.

Capital expenditure for new works will be funded from loans, with capital renewals being funded from reserves (funded by rates). Council has resolved to partially rate fund depreciation for a number of years of the Long-term Plan. The rates funding of depreciation is used to fund asset renewals.

Where the revenue stream is rates an indicative level of rate, the mechanism used to assess the rate, and the activities that the rate funds, is described. These indicative figures support the calculations in the rate sample models and are included to provide you with an indication of the level of rates Council are likely to assess on your rating unit in the coming year. So long as we set the rates in accordance with the system described in this statement, the amounts may change. The Funding Impact Statement should be read in conjunction with the Revenue and Financing Policy.