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2026/2027

Annual Plan

Our Roadmap to Renewal

He Ngākau Aroha - Our City with Heart

Invercargill
CITY COUNCIL

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Te rārangi ūpoko

Mayor's comment

Ngā kōrero a te Koromatua

I am pleased to present our Annual Plan for 2026/2027. As Council prepared this Annual Plan we have focused on keeping rates increases down, while maintaining the services the community needs. We are very aware of the community's challenges with the cost of living, as well as of the need to prepare for the Government's proposed approach to rates capping, and the potential change to the structure of local government in Southland.

The rates increase we are proposing is lower than that we were planning for this year in the Long-term Plan. To achieve this, we have not had to make any changes to levels of service, although we have had to make some other difficult decisions. This includes more effectively recovering the cost of providing services through our fees and charges and running an unbalanced budget for longer. We have also made some changes to our capital programme to better align it with what can be realistically delivered and to ensure depreciation is set at an appropriate level. As a Council we will be considering the appropriate balance for all these items as part of our long-term planning.

This remains a challenging economic environment for Council as well as the community. Through the year ahead we will need to continue to remain flexible in order to cover increased inflationary costs linked to fuel costs and other factors.

Mayor Tom Campbell

Chief Executive's comment

Ngā kōrero a te tāhūhū rangapū

The focus of my Executive Leadership Team over the year ahead continues to be on three things: efficiency, technology investment and improved contractor relationships. Invercargill, in common with the whole of New Zealand, must lift how it delivers infrastructure, not just how much it invests. We have been focused on improving capital delivery and running an organisation which is efficient as possible.

In response, our focus for 2026/2027 is clear. We will prioritise improving efficiency across our planning and delivery, ensuring we are disciplined about where and how we invest. At the same time, we will accelerate the use of technology to support better decision-making, modernise asset management, and enable smarter, more productive delivery approaches. These shifts are essential to improving performance while managing ongoing financial pressures.

We also recognise the importance of a stable and capable contractor market. Sector insights point to growing uncertainty and fluctuating workloads affecting availability and confidence. Through clearer forward planning and stronger partnerships, we aim to support a more resilient delivery environment while continuing to deliver reliable services and infrastructure outcomes for our community.

This year ahead will continue to be a challenging time of change in the Local Government sector and I would like to thank my team for all their mahi and the service they provide the community each day.

Michael Day
Chief Executive

What has changed since the Long-term Plan?

He aha kā mea rerekē tae atu kie Te Take Mahere Tūroa?

Council has made a number of changes across four main areas from the position planned for Year Three of the Long-term Plan and the flow on changes from the 2025/2026 Annual Plan.

Changes to assumptions about the economic environment

For each Long-term Plan, the Council needs to make assumptions about a range of economic indicators. Minor adjustments to inflation and interest rate assumptions are required to reflect updated economic information, with inflation adjustments increasing costs by $256,000 and the interest rate position reducing costs by $873,000.

What is the Annual Plan?

The Annual Plan is our plan for 2026/2027, Year Three of the Long-term Plan, which set out Council's vision and priorities for 2024-2034. It shows what has changed for Year Three of the plan since it was adopted and should be read alongside the Long-term Plan. You can find the Long-term Plan online at **icc.govt.nz/council/policies-plans-bylaws/plans/01-annual-plan**

On this page you can also find the Fees and Charges Schedule for 2026/2027, as well as recent Annual Reports, which show how Council has progressed in achieving its planned projects, services and financial results.

Operational expenditure

Operational expenditure for the Annual Plan 2026/2027 is currently projected to be $164.0 million, compared to Year Three of the Long-term Plan of $169.4 million. The -$5.4 million variance is mainly due to lower depreciation expenditure.

A number of changes have been made to operational expenditure with an overall impact of $5.4 million. As part of this, an additional $2 million has been required for the transition to the new waters service structure under the Local Government (Water Services) Act 2025. This will cover the costs of governance and transitional project costs.

Other operational expenditure changes include:

- Keeping Wachner Place Toilets open for until the end of the financial year at reduced hours (additional $65,000).
- Increased Arts, Culture and Heritage expenditure, including property costs for Te Unua, operational costs for He Waka Tuia and for the Bluff Maritime Museum (additional $952,000).
- Increased transitional costs for corporate office space (additional $542,000).
- Increased asbestos monitoring and removal at Ocean Beach (additional $80,000).
- Increased maintenance for the Wachner Place clock, noting that the location the clock will be in will change ($45,000).
- Increased costs of software licences and specialist contractor input (additional $740,000).
- Home security systems for Councillors ($59,000).
- Separating out the waters and non-waters after hours contact centre (additional $100,000).
- Additional wage costs as a result of changing role structures (additional $1.3 million).
- Additional funding for pot-hole remediation work to match funding received from NZTA ($171,500).
- Increased grants funding for Awarua, Bluff, Otatara and Myross Bush Halls ($11,000).

$4 million additional debt funded expenditure in response to storm damage will be required.

It is worth noting that significant efficiencies were planned for as part of the 2025/2026 Annual Plan and as a result the impact of these changes is partially offset. Other savings which Council have continued from the previous year include continuing funding for the Community Wellbeing Fund at the lower level of $500,000 ($65,000 saving) and continuing the pause of the Built Heritage Fund ($200,000 saving).

Capital expenditure

A number of changes to capital expenditure are required. Capital expenditure for Year Three of the Long-term Plan was planned at $87.8 million, the Annual Plan now projects this at $80.8 million.

The key changes in the Waters Services area have a combined impact of a $6.7 million decrease to capital expenditure. Work on major projects including the Bluff Discharge Consent, the Alternate (emergency) Water Supply and Mersey Street Duplication Rising Main has been rephased. Additional investment on Branxholme pump station duplication to improve resilience has been deferred from 2025/2026 and will now be delivered in 2026/2027.

Other capital changes have a combined impact of $0.3 million decrease and include rephasing of work on Te Unua – Museum of Southland and Te Hīnaki Civic Administration Building. Investment will be made in completion on the roading section of the Eastern Cemetery extension and additional work on deferred maintenance at the Civic Theatre will be needed. Investigation work on the crematorium will be brought forward and renewals work on the Splash Palace and Library roofs are planned for. The remainder of city streets work has been pushed back for the Council to consider as part of the Long-term Plan.

Full details of the capital programme are available on page 12.

Revenue Forecasts

Operational revenue for the Annual Plan 2026/2027 is currently projected to be $153.7 million, compared to Year Three of the Long-term Plan of $165.8 million. The -$12.1 million variance is due to -$1.9 million lower rates revenue, -$5.5 million lower direct charges revenue and -$3.8 million lower subsidy revenue.

Rates is only one form of the income received by Council. Council is expecting some changes to other revenue such as from fees and charges as a result of economic conditions and other factors. Non-waters revenue excluding rates is forecast to fall by $0.8 million. This includes a range of items including reduced revenue from some parks and property leases, reduced revenue from the café, retail and admissions at Splash Palace and reduced expected Solid Waste revenue. Some increases are expected as a result of more effective allocation of corporate overheads across fees and charges for services and increases to Elderly Persons Housing fees.

Other Gains/(losses) for the Annual Plan 2026/2027 is currently projected to be $2.2 million, compared to Year Three of the Long-term Plan of $10.6 million. The -$8.4 million variance is mainly due to some initially anticipated land sales is no longer expected to proceed in the 2026/2027 year.

As a result of the decisions made for this year's Annual Plan, Council will be operating a more entrenched unbalanced budget.

A deficit of $8.2 million is now projected for the Annual Plan 2026/2027 compared to a surplus of $7.0 million planned for Year Three of the Long-term Plan.

Council intended to return to a balanced budget in 2026/2027. This is no longer the case as is now planned to be unbalanced at 95.0%, lower than the 100% limit (operational revenue vs operating expenses).

Council will be focused on plans to return to a balanced budget as part of the Long-term Plan.

Water Services

Council began the process of communicating separately about funding the waters services activities as part of the 2024 – 2034 Long-term Plan in preparation of the transition to a new way of delivering water. Last year, we invested more to ensure we were ready to deliver the Water Service Delivery Plan, pay the new levies and make a successful transition. Further changes are required as part of this Annual Plan as the new governance structure beds in and more detailed information about key waters capital projects becomes available.

The overall position of the waters services capital programme for 2026/2027 has changed from $37.7 million for Year Three of the Long-term Plan to $31.0 million. More detail on changes in the capital programme can be found in the table on page 12.

Adjustments have been made to depreciation funding for water services which are now at 100% for each area: water, sewerage and stormwater.

Waters services operational expenditure, excluding depreciation, has changed from $15.7 million for Year Three of the Long-term Plan to $20.8 million with the majority of the increase represented by the corporate costs allocated to Waters Services.

Waters revenue from other sources has been revised to reflect changing levels of demand for services.

Revenue from water connections is forecast to rise slightly, while revenue for commercial and trade waste volumes have been revised downwards to reflect falling demand.

Rates for Waters Services for 2026/2027 will be 5.52%, in comparison to the 8.50% forecast for Year Three of the Long-term Plan.

Rates capping

The Government has undertaken targeted consultation on rates capping which, while it does not apply to the 2026/2027 period, they have asked councils to consider in their decision making.

While recognising the continuing uncertainty about how exactly rates capping will be operated, it appears that under current economic conditions Invercargill District's rate capping window would be between 2 – 5.5%, excluding water which will be outside the regime.

Council's proposed position for 2026/2027 includes a number of items which are likely to meet the criteria for seeking exemptions to the rates cap, if it was in force including:

- Storm impact response and recovery.
- Additional new activity costs to bring a paused activityback online (Te Unua - Museum of Southland – Arts, Culture and Heritage).

The combined impact of these two items is 2.58% on the non-waters rates increase which brings the remainder of the non-waters increase to 5.33%, just within the rates capping window above. Water rates are excluded from the rates capping calculation.

Our Roadmap. Our People.

Te tatou mahere whenua, ō tatou tākata

The Roadmap to Renewal forms the core of our strategy over the next 10 years as we work to create a city with heart.

Our plan addresses six strategic challenges facing the city:

- Meeting the changing needs of our rangatahi as part of our wider population, which is growing older and more diverse.
- Delivering city centre renewal.
- Enabling the housing, health, security and social infrastructure our city needs to grow.
- Navigating increasingly complex environmental challenges including climate change, land contamination and earthquake risks.
- Maintaining community affordability in a time of economic volatility - core infrastructure, major projects and levels of service will be delivered with financial prudence and efficiency.
- Ensuring Council leadership and delivery is credible and effective, building community trust and engagement.

Community outcomes

Social Wellbeing (One Community) -

Our youth, older people, different neighbourhoods and communities' basic needs are met, and they feel valued and proud to live here.

Cultural Wellbeing

A vibrant, safe city centre which meets our people's diverse cultural needs.

Economic Wellbeing

A future focused economy delivered through innovation and partnership and supported by appropriate infrastructure.

Environmental Wellbeing

A healthy, resilient environment where the city is well positioned to navigate climate change.

Our city with heart
He Ngākau Aroha

Council's vision is to create a city with heart, both in our city centre and through collaboration across the community. Supporting the creation of a vibrant city centre has been our primary focus, along with reinvigorating the arts and culture we can all enjoy. We now have a plan in place for the museum, which we believe provides a sustainable pathway forward for the future. We are investing in the future of our people and our city.

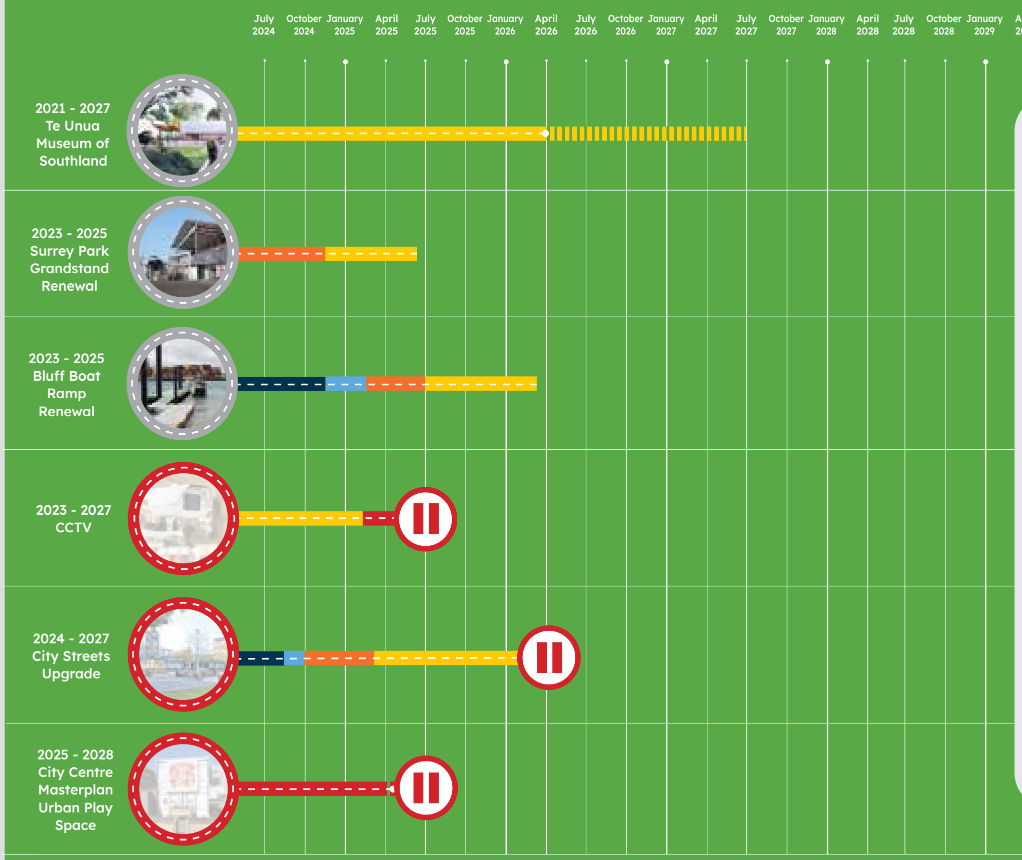
Waihōpai
To leave in good order

Council's mission over the next ten years is to leave the city in good order for the next generation.

One of the translations of the Māori name for our City – Waihōpai – is to leave in good order.

See the Roadmap to Renewal Report on the next page.

Roadmap to Renewal Delivery - Progress to date



City Streets Upgrade – The project was paused in April 2026, with a recommendation from the Infrastructure and Growth Committee to end the Wachner clock reinstatement project for Wachner Place, seeking alternative options for relocation.

Bluff Board Ramp Renewal – The ramp is now operational. The construction of the toilet and fish preparation facility is complete and commissioned.

Council determined that **CCTV** and **City Centre Masterplan Urban Play Space** are to be paused indefinitely.

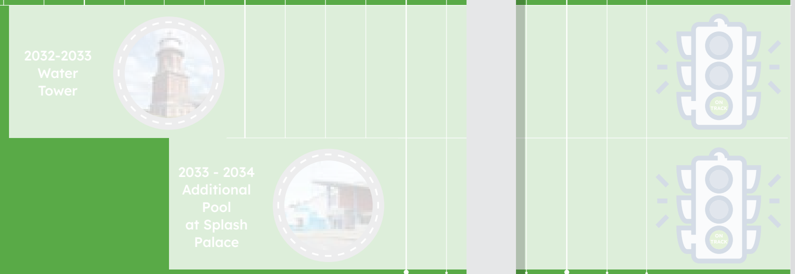
The rest of the projects are not scheduled to commence until further years of the Plan.

Te Unua Museum of Southland – The project continues to make strong progress, with Naylor Love maintaining consistent momentum across the site. Completion of the building structure remains on track for September, with no major risks currently identified.

External works are advancing well, with car park asphalt nearing completion and Victoria Avenue asphalt works scheduled to follow shortly. Building envelope works are close to completion, with only a small number of rainscreen panels remaining, along with installation of the North and South main entry doors.

Construction of the waka structure is complete, and installation of the final external cladding is nearing completion, with the internal Southland beech linings commencing. Internally, the initial installation of services (such as wiring, piping, and ducting) is approaching completion, while wall linings continue to progress. Wall tiling and decorating are now underway, and the final fit-off of mechanical and electrical components (such as fixtures, fittings, and vents) has commenced in some areas.

Gibson International has successfully achieved the design freeze milestone, with final design and procurement activities now well advanced. The Te Unua team continues to progress the curatorial and collections work programme, alongside ongoing design and content development in collaboration with Gibson International.



PHASES

CONCEPT
PLAN
DESIGN
CONSTRUCTION

LINE OF PROGRESS

ESTIMATED COST

ROADMAP TO RENEWAL BUDGET

$133.8 MILLION

$61.6 MILLION — SPEND-TO-DATE

$72.2 MILLION — BALANCE

Capital Programme

Hōtaka ngā haupū rawa

ACTIVITY	PROJECT	2026/2027 LONG-TERM PLAN $000	2026/2027 ANNUAL PLAN $000	COMMENTS
Water	Alternative water supply - New supply source	1,078	4,144	Project timings realigned with work programme
Water	Treatment Facilities - General renewals	458	670	Addition capital added for renewal of switch board
Water	Pumping Stations - General renewals	94	95	
Water	Pumping Stations - Branxholme Duplication	-	1,849	Project carried across from 2025/2026
Water	Pipe Network - Reticulation general renewals	4,566	5,707	Pipe renewal programme revised due to current resource committements to other projects in the Waters Services areas
Water	Backflow protection programme	108	109	
Water	Leakage detection programme	108	109	
Water	Universal water metering	216	100	Part of project deferred into future years to align with expected delivery
Water	Water Calibration Modelling	-	51	New renewal programme
Water	Plant - General renewals	-	555	New renewal project
	TOTAL WATER	**6,628**	**13,389**	
Stormwater	Treatment Facilities - General renewals	344	-	Project deferred and to be reassessed as part of Long-term Plan 2027-2037
Stormwater	Pumping Stations - General renewals	36	36	
Stormwater	Pipe Network - General renewals	5,696	5,125	Pipe renewal programme revised due to current resource commitments to other projects in the waters services areas
Stormwater	Consent renewal - Sludge storage leachate discharge at Station road	49	49	
	TOTAL STORMWATER	**6,125**	**5,210**	
Sewerage	Treatment Facilities - General renewals	489	538	
Sewerage	Treatment Facilities - Clifton consent renewals	539	650	Project timings realigned with work programme due to change in legislation
Sewerage	Treatment Facilities - Bluff consent renewals	7,007	500	Project timings realigned with work programme due to change in legislation
Sewerage	Pumping Stations - General renewals	588	596	
Sewerage	Pipe Network - General renewals	4,358	3,268	Pipe renewal programme revised due to current resource committements to other projects in the Waters Services areas
Sewerage	Pipe Network - Mersey Street rising main duplication	10,564	5,959	Project start deferred with completion now 2028/2029
Sewerage	Pipe Network - Otatara network rising main improvements	1,347	827	Project start deferred with completion now 2027/2028
Sewerage	Consent renewal - Omaui oxidation pond discharge	49	49	
	TOTAL SEWERAGE	**24,941**	**12,387**	

ACTIVITY	PROJECT	2026/2027 LONG-TERM PLAN $000	2026/2027 ANNUAL PLAN $000	COMMENTS
Roading	CCTV - establishment (Roadmap)	377	-	Project completed in 2024/2025
Roading	CCTV - renewals	216	219	
Roading	City Streets - Esk Street West (Roadmap)	-	500	Project carried across from 2025/2026 to complete area without Clock tower.
Roading	City Streets - Stage 2 (Roadmap)	5,442	-	Project deferred and to be reassessed as part of Long-term Plan 2027-2037
Roading	Safety Improvements - programme	2,828	1,248	Some of these changes reflect changes in Government policy, particularly in the areas of safety improvments
Roading	Safety Improvements - Minor	54	118	
Roading	Unsealed Road Metalling renewals	204	266	
Roading	Asphalt Resurfacing renewals	3,079	3,109	
Roading	Chipseal Resurfacing renewals	3,618	1,747	
Roading	Surface water channel renewals	999	881	
Roading	Drainage renewals	126	111	
Roading	Sump renewals	49	43	
Roading	Culvert renewals	49	43	
Roading	Sealed road pavement rehabilitation	679	960	
Roading	Bridge renewals	68	414	
Roading	Traffic sign renewals	92	89	
Roading	Traffic signal renewals	97	93	
Roading	Street light pole renewals	87	84	
Roading	Road marking renewals	262	252	
Roading	General renewals	112	107	
Roading	Footpath renewals	1,644	880	
Roading	Cycle Path Renewals	-	88	
Roading	Adjustments for NZTA indicative allocations for continuous programmes 2025-2027	1,731	-	
	TOTAL ROADING	**21,813**	**11,252**	
Solid Waste Management	Invercargill Transfer Station - General renewals	97	98	
	TOTAL SOLID WASTE MANAGEMENT	**97**	**98**	

ACTIVITY	PROJECT	2026/2027 LONG-TERM PLAN $000	2026/2027 ANNUAL PLAN $000	COMMENTS
Leisure, Recreation & Wellbeing Services				
Libraries	Library books / Digital collections	454	567	Increasing book/collection to pre Covid levels
Public Transport	General renewals	39	45	
Parks & Reserves	City Centre Masterplan Urban Play (Roadmap)	2,156	-	Project not to proceed at this time
Parks & Reserves	Active Recreation Development		848	Project carried across from 2025/2026
Parks & Reserves	Monument renewals	115	116	
Parks & Reserves	General renewals	389	394	
Parks & Reserves	Organics composting area	-	529	Project carried across from 2025/2026
Parks & Reserves	Queens Park connection to Museum	539	565	
Parks & Reserves	Car Park within Turnbull Thomson	431	438	
Parks & Reserves	Coronation Ave renewal (Queen Park)	-	354	Project start deferred with completion now 2026/2027
Parks & Reserves	Security locking network renewals	97	98	
Parks & Reserves	Eastern Cemetery drainage and roading	-	1,027	New project (commenced in 2025/2026 and to be completed in 2026/2027)
Parks & Reserves	Pump Track	269	154	Part of project deferred and to be reassessed as part of Long-term Plan 2027-2037
Parks & Reserves	Motor vehicle and plant renewals	889	901	
Elderly Persons Housing	Housing - replacement and new build programme	1,330	2,379	Project start deferred with completion now 2026/2027
Elderly Persons Housing	Housing - General renewals	539	613	Renewal programme realigned with revised work programme
Various	Plant renewals	-	186	New renewal project
	TOTAL LEISURE, RECREATION & WELLBEING SERVICES	**7,247**	**9,214**	
Corporate and Regulatory Services				
Property	Te unua - Main building (Roadmap)	-	10,339	Project timings realigned with work programme
Property	Te unua - Experience building (Roadmap)	3,794	7,092	Project timings realigned with work programme
Property	Southland Aquatic Centre building - Changing rooms renewals	233	245	
Property	Southland Aquatic Centre building - Non slip flooring renewals	-	123	Project start deferred with completion now 2026/2027
Property	Southland Aquatic Centre building - Roof renewals	1,455	1,011	Project start deferred with completion now 2027/2028

ACTIVITY	PROJECT	2026/2027 LONG-TERM PLAN $000	2026/2027 ANNUAL PLAN $000	COMMENTS
Property	Scoping of Art Precinct	-	21	
Property	Bluff Service Centre building - General renewals	34	247	Project start deferred with completion now 2026/2027
Property	Civic Administration building - Redevelopment	7,893	750	Project deferred and to be reassessed as part of Long-term Plan 2027-2037. Funds remaining is to relocate remaining staff in 101 Esk Street to temporary offices
Property	Civic Administration building - General renewals	679	689	
Property	Civic Theatre building - Internal renewals	388	394	
Property	Civic Theatre building - HVAC renewals	146	443	Project start deferred with completion now 2026/2027
Property	Civic Theatre building - General renewals	60	242	Project start deferred with completion now 2026/2027
Property	Civic Theatre building - External paint and brickwork renewals	-	394	Project brought forward from 2029/2030 and now to be completed by 2026/2027
Property	Library building - Roof renewals	-	462	Project brought forward from 2029/2030 and now to be completed by 2026/2027
Property	Car parking building - General renewals	-	102	Project start deferred with completion now 2026/2027
Property	Crematorium building - General renewals	-	805	Project start deferred with completion now 2026/2027
Property	Parks buildings - Shed renewals	58	59	
Property	Parks buildings - General renewals	136	253	Renewal programme realigned with revised work programme
Property	Scottish Hall building - General renewals	210	213	
Property	Public Toilets - Greenpoint	-	197	Project carried across from 2025/2026
Property	Public Toilets - General renewals	194	410	Project carried across from 2025/2026
Property	Roadmap Programme Contengency	1,078	-	Removed as now part of individual projects
Corporate Services	IT - Hardware	354	360	
Corporate Services	Our Council (Business Enhancement) Programme	3,592	3,690	
Corporate Services	Motor vehicles and plant renewals	678	688	
Corporate Services	**TOTAL CORPORATE AND REGULATORY SERVICES**	**20,982**	**29,229**	

What will it cost?

He aha te utu?

In the Long-term Plan, the forecast expenditure for Year Three, 2026/2027 was:

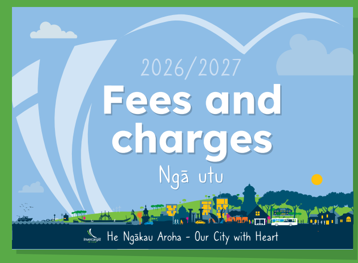
- $87.8 million capital expenditure[1] (the money we spend on assets such as roads, pipes, buildings and other infrastructure)
- $117.5 million operational expenditure[2] (excluding depreciation) (the money we spend to operate all the facilities in the city and provide the services the community needs)

As a result of the changes described on pages 6-9, these forecasts are changing to:

- $80.8 million capital expenditure
- $118.7 million operational expenditure (excluding depreciation)

[1] Capital programme delivered

[2] Excluding depreciation



Fees and Charges

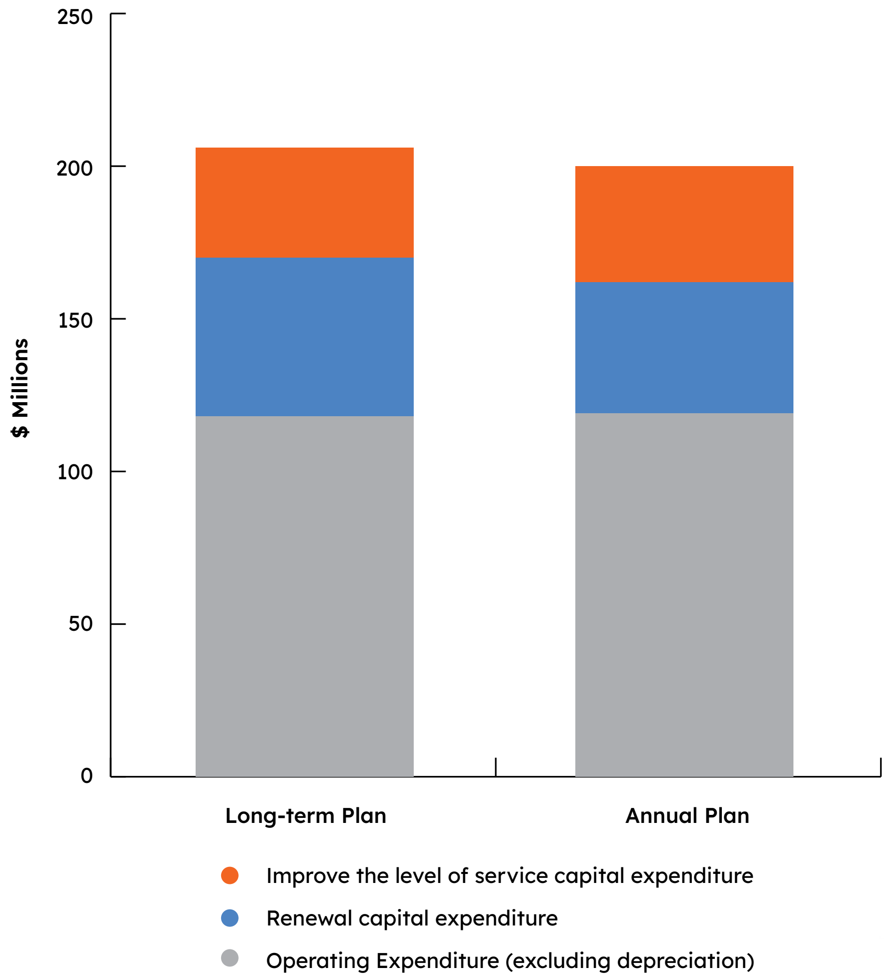
Kā Utu

One way that Council covers the costs of providing services is through fees and charges. These cover specific services that individuals use, such as dog registrations, building consents or crematorium fees. We are forecasting an increase in revenue of $0.5 million from fees and charges to cover rising costs of providing services.

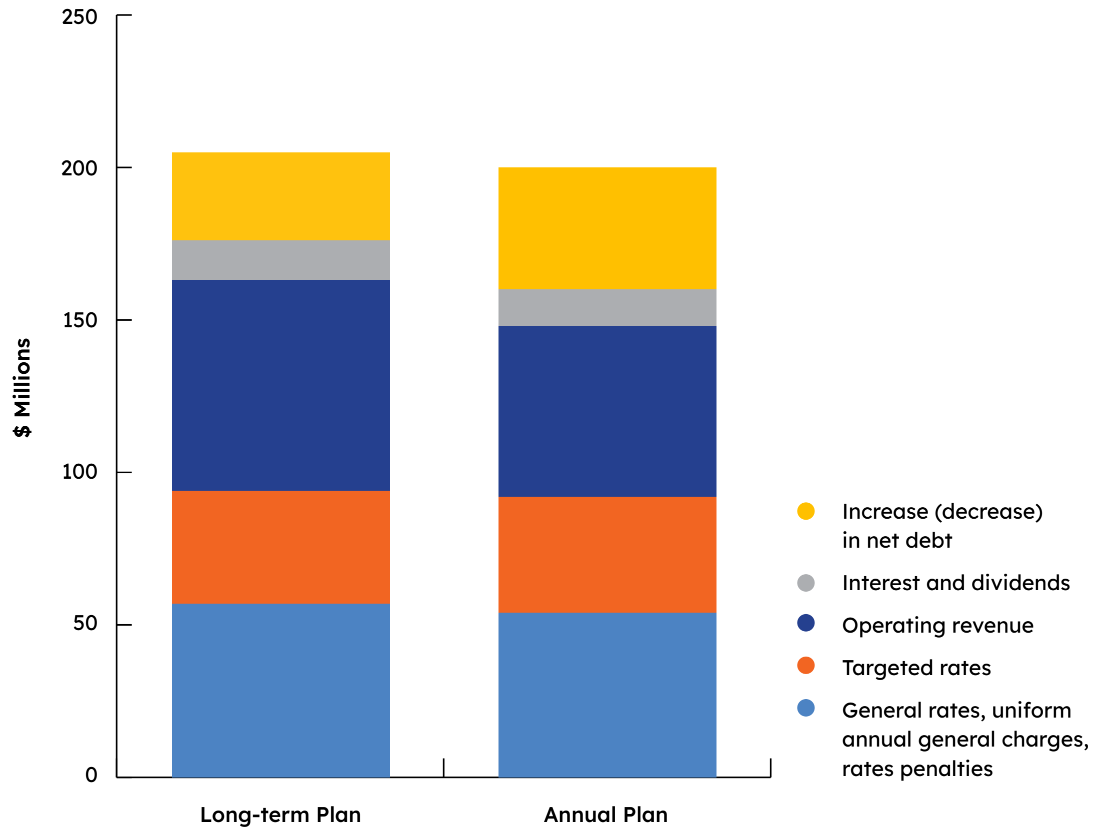
What does it mean for money?

Te take pūtea?

What will it cost?



How will we pay for it?



What does it mean for your rates?

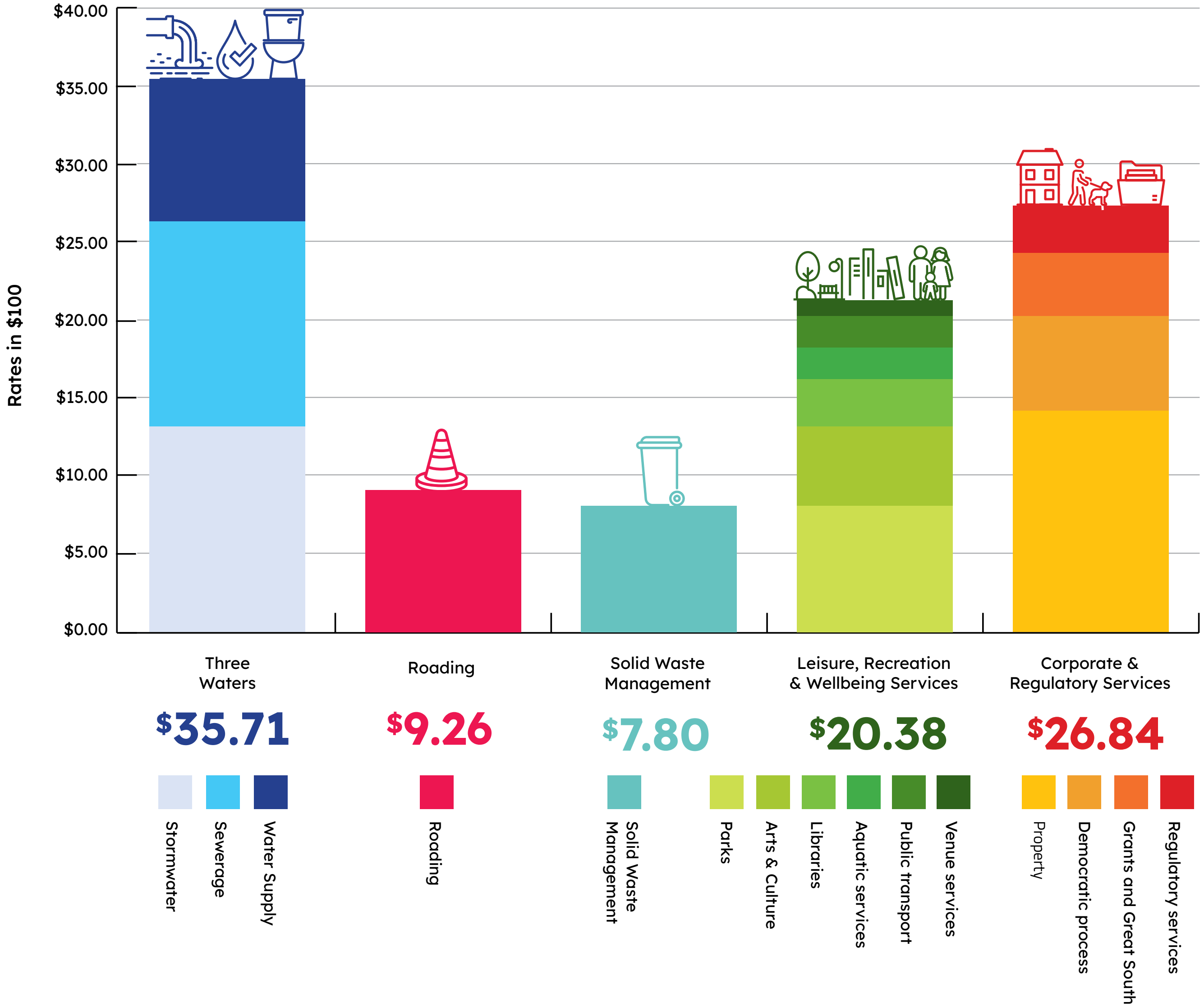
He aha te whakanekeneke mō kā take kaunihera?

In the Long-term Plan we forecast a 8.43% rates increase for 2026/2027. As a result of the changes outlined on pages 6-9, we are now planning for an average increase in waters rates of 5.52% and non-waters rate of 7.91%, a combined average 7.03%* rates increase.

*Excluding rating base growth and rates penalties.

Where will your rates go?

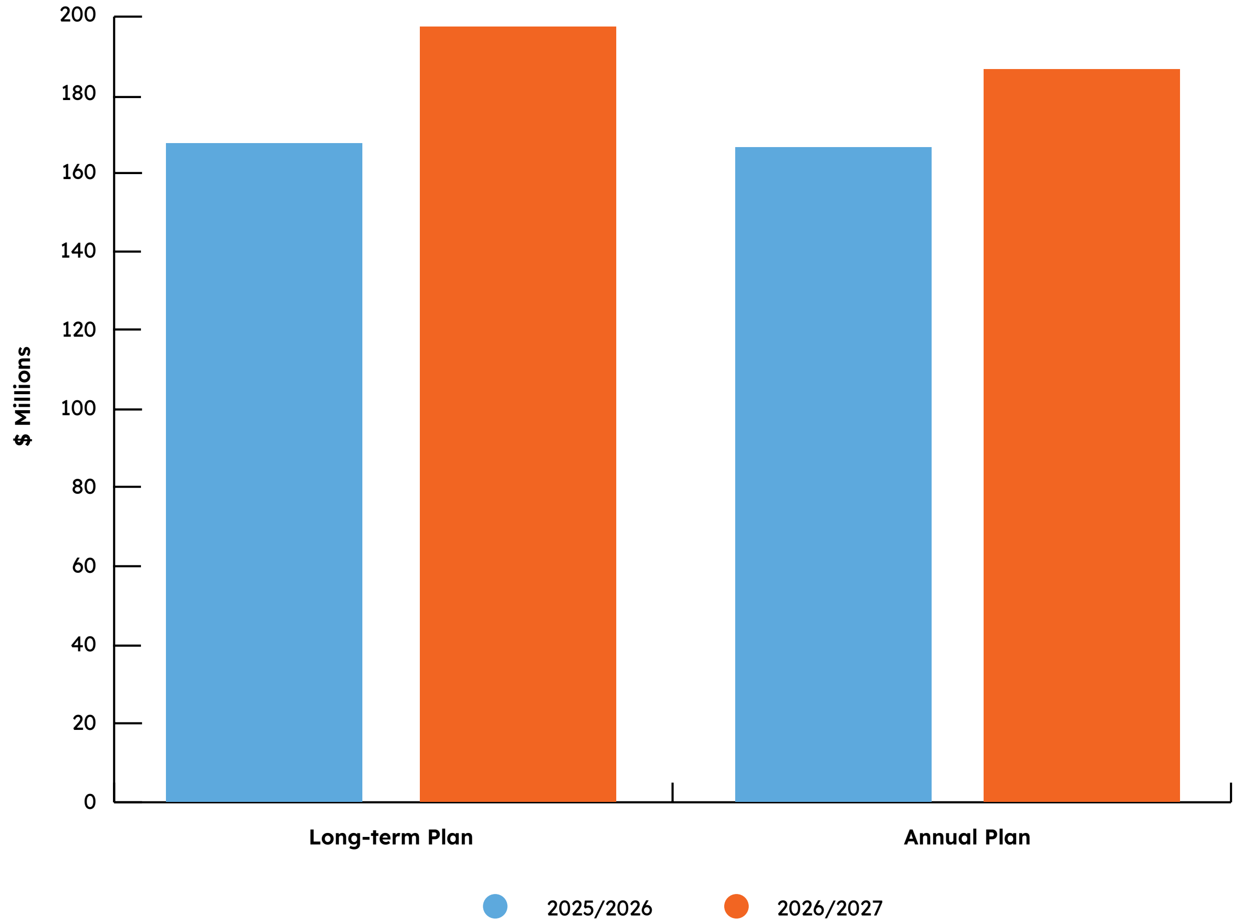
Where, on average every $100 of rates will be spent in the first year of the Plan.



What does this mean for debt?

He aha te whakaaweawe mō te nama?

Council manages its debt through setting a net debt limit (Net debt is total borrowing less cash investments). Rates are used to pay the interest and principal on the debt Council holds. In the Long-term Plan, the net debt limit was set at no more that 180% of revenue for 2026/2027 ($267 million). Net debt will remain below 180% of revenue for the year at $188 million. Net debt levels will continue to rise over the coming years with the delivery of roadmap projects including Te Unua museum development.



Financial overview

Te Arotake Pūtea

	2025/2026 ANNUAL PLAN $000	2026/2027 LONG-TERM PLAN $000	2026/2027 ANNUAL PLAN $000
Rates revenue (GST inclusive)	97,772	107,809	105,645
Rates revenue change*	7.70%	9.03%	8.05%
Rates revenue (GST exclusive)	85,019	93,747	91,865
Total revenue	149,621	176,395	155,862
Operating expenditure	160,099	169,357	164,034
Operating surplus/(deficit)	(10,478)	7,038	(8,172)
Total comprehensive revenue & expense	24,621	7,038	57,688
Total assets	1,491,056	1,518,130	1,697,376
Total liabilities (excluding borrowings)	21,870	24,918	27,766
Borrowings	230,842	255,691	243,141
Total equity	**1,238,344**	**1,237,521**	**1,426,469**

* Rates revenue change percentage reflects the increase in the actual rates revenue collected.

Who we are

Ko wai mātou

The Invercargill City Council is chosen by the Invercargill public in elections held every three years. During 2021, the Council made the decision to add Mana Whenua representatives from Te Rūnanga o te Awarua and Waihōpai Rūnaka. Mike Bain represents Waihōpai Rūnaka. In March 2026, Council voted to put Te Rūnanga o te Awarua seat into abeyance for the 2025-2028 term after Te Rūnaka o Awarua elected not to nominate a representative at this time.

Mayor
Tom Campbell

Grant Dermody
Deputy Mayor

Allan Arnold
Councillor

Ria Bond
Councillor

Trish Boyle
Councillor

Steve Broad
Councillor

Alex Crackett
Councillor

Andrea De Vries
Councillor

Darren Ludlow
Councillor

Marcus Lush
Councillor

Ian Pottinger
Councillor

Barry Stewart
Councillor

What is Council and what does it do?

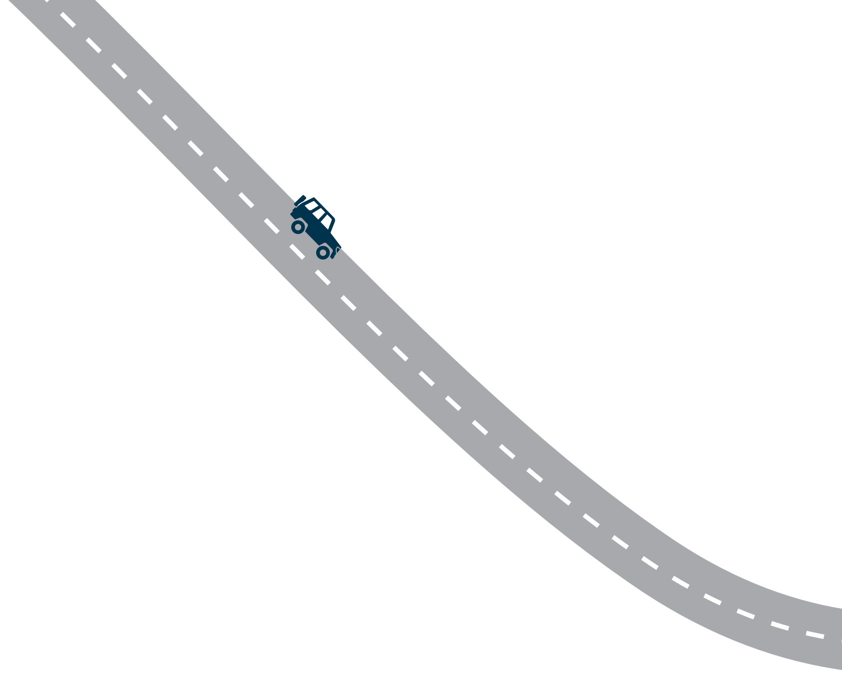
The Council consists of the Mayor and 12 Councillors and its role is to provide and maintain services and amenities for the public of Invercargill. The Council is chosen by electors (the Invercargill public) to govern the City's affairs, such as making decisons on spending, priorities and policies.

Lisa Tou McNaughton
Councillor

Mike Bain
Pou Manawhenua – Waihōpai Rūnaka

Management Structure

Te hanganga whakahaere



COUNCIL
Mayor & Councillors, Mana Whenua representatives

CHIEF EXECUTIVE
Michael Day

Democratic Process

CAPITAL PORTFOLIO

- Change and Transformation

COMMUNITY ENGAGEMENT AND CORPORATE SERVICES

- Communications and Marketing
- Customer Services
- Governance and Legal
- Health, Safety and Wellbeing
- Information Management
- Information Services
- People and Culture
- Strategy, Policy and Engagement

COMMUNITY SPACES AND PLACES

- Aquatic Services
- Invercargill Libraries
- Museum and Heritage Services
- Parks and Recreation
- Venues and Events Services

CONSENTING AND ENVIRONMENT

- Environmental Services
- Compliance and Enforcement
- Consenting and Applications
- Planning Policy

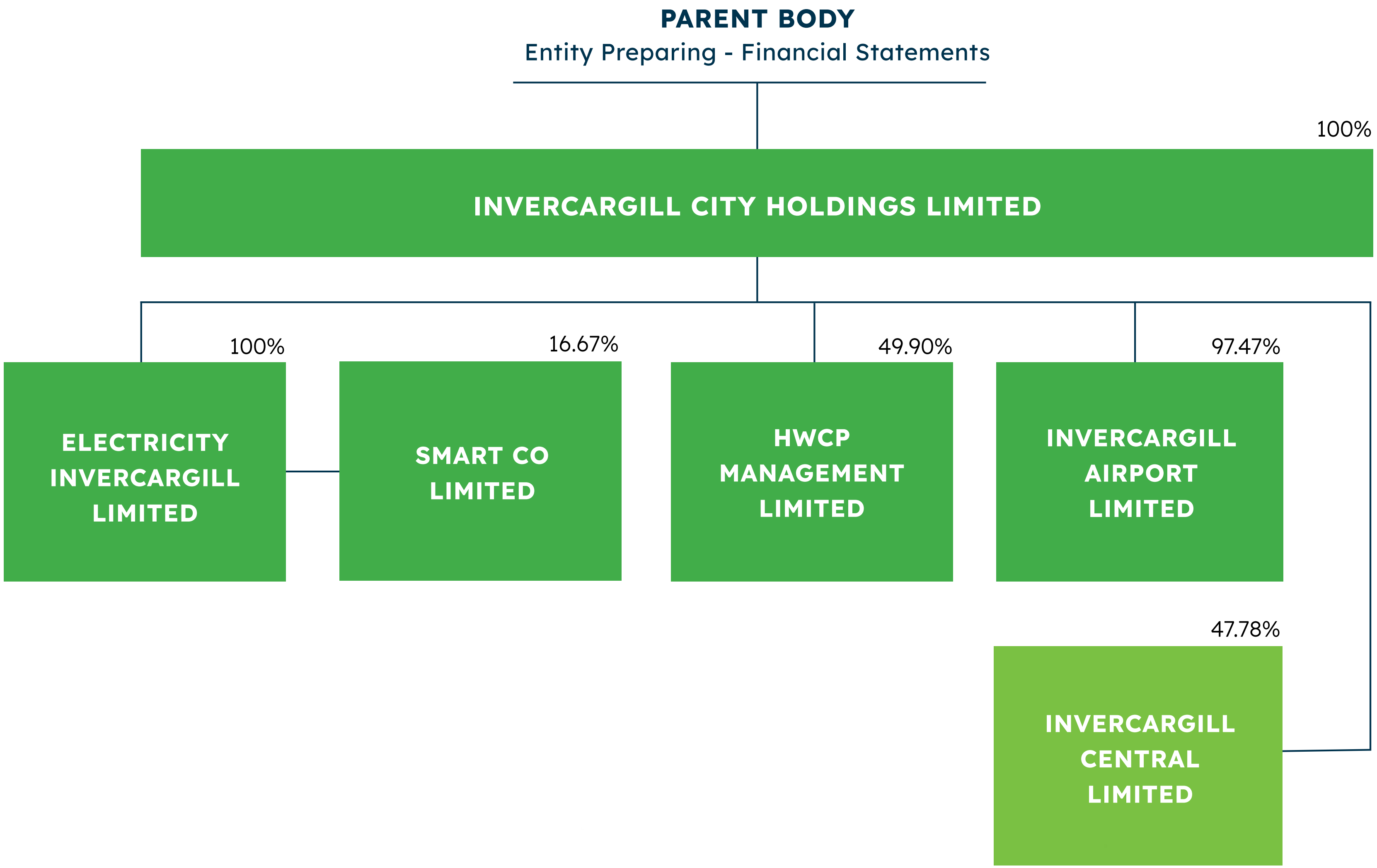
FINANCE AND ASSURANCE

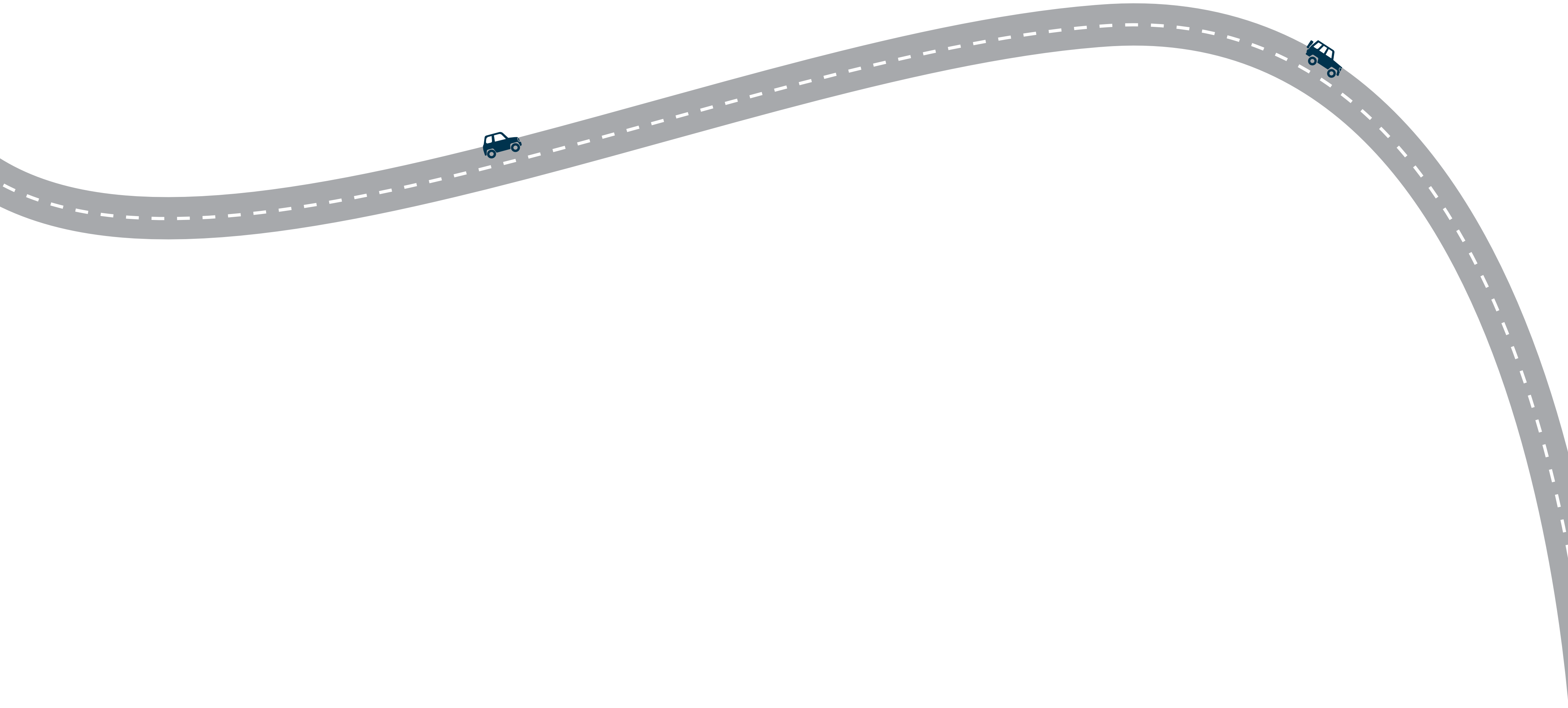
- ICHL Group Finance
- Financial Planning
- Financial Services
- Risk and Continuous Improvement
- Procurement

INFRASTRUCTURE

- Engineering Services
- Infrastructure Operations
- Project Management Office
- Strategic Asset Planning
- Three Waters Operations
- Wastenet

ICHL Group Structure





Funding Impact Statement

Invercargill
CITY COUNCIL

Funding Impact Statement

The Funding Impact Statement is made up of three parts:

- Rating policy information for 2026/2027
- Total rates to be collected including rating examples of different property
- Funding Impact Statement - Invercargill City Council for 2026/2027

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

Figures in this statement are GST inclusive unless stated.

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	
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

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	
Water - Residential	1

RATE TYPE	
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 (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	$2.35

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	
Sewerage - Residential	1
RATE TYPE	
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.

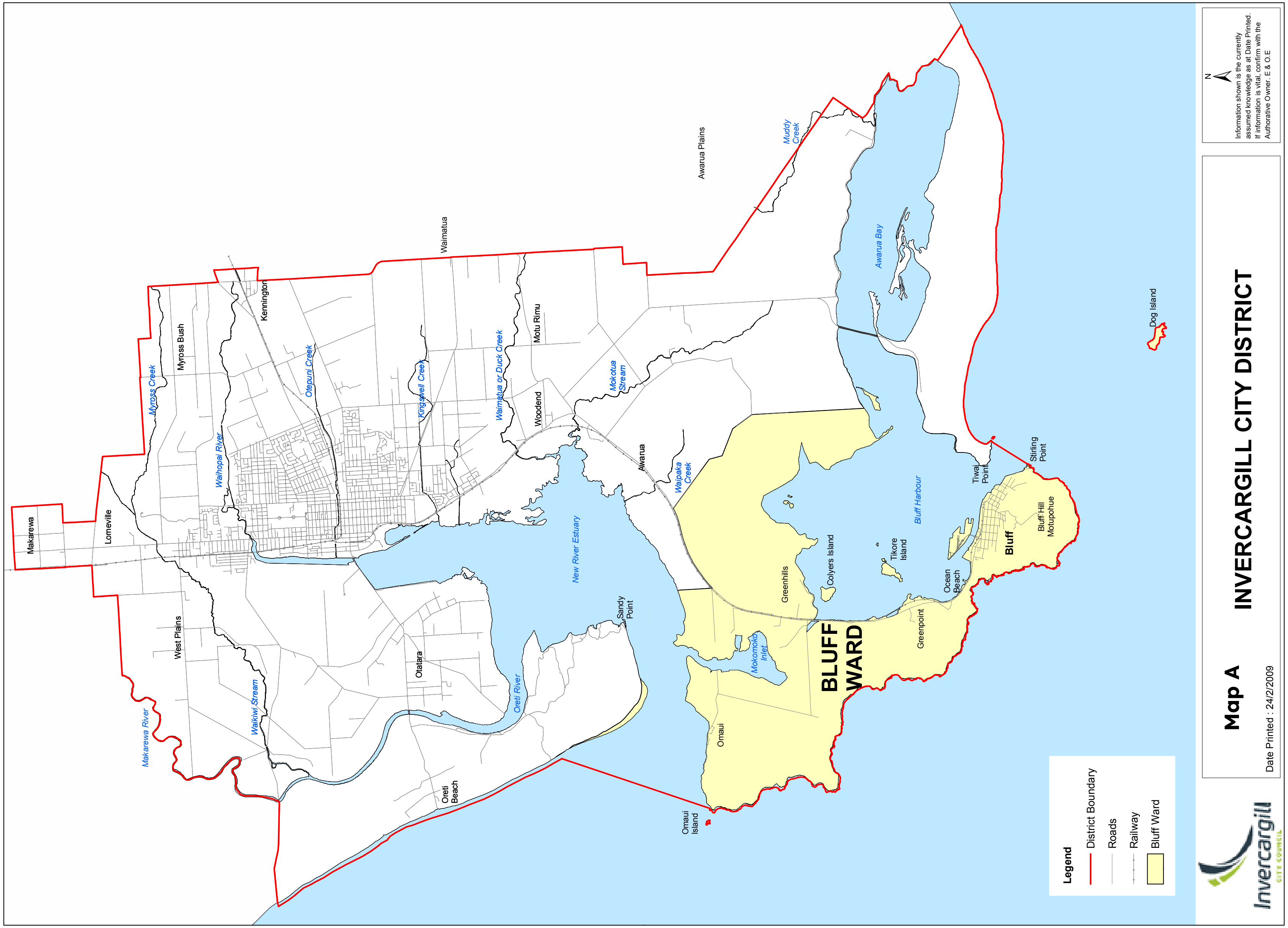
RATE NAME		RATE	BASIS		TOTAL
General Rate	Residential	$0.00366586	Per $ capital value	1	$36,387,615
General Rate	Lifestyle	$0.00355588	Per $ capital value	0.97	$5,990,974
General Rate	Commercial	$0.00366586	Per $ capital value	1	$5,132,636
General Rate	Industrial	$0.00366586	Per $ capital value	1	$3,542,007
General Rate	Farming	$0.00219952	Per $ capital value	0.60	$817,472
General Rate	1530 Tiwai Road	$0.00084315	Per $ capital value	0.23	$178,291
General Rate	Utilities	$0.00366586	Per $ capital value	1	$2,299,996
UAGC		$231.71	Per SUIP	1	$6,352,459
Water Supply	Residential	$552.05	Per connected residential SUIP	1	$11,649,841
Water Supply	Non-Residential	$631.67	Per connected rating unit	1	$2,190,763
Sewerage	Residential	$480.32	Per connected SUIP	1	$10,735,674
Sewerage	Non-Residential	$1,006.90	Per connected rating unit	1	$3,529,403
Refuse Collection	Kerbside Collection	$311.16	Per set of bins provided	1	$6,880,358
Bluff Community Board	Residential	$0.00023578	Per $ capital value	1	$77,373
Bluff Community Board	Lifestyle	$0.00022871	Per $ capital value	0.97	$9,252
Bluff Community Board	Commercial	$0.00023578	Per $ capital value	1	$2,593
Bluff Community Board	Industrial	$0.00023578	Per $ capital value	1	$17,669
Bluff Community Board	Farming	$0.00014147	Per $ capital value	0.60	$4,247

All rates contain GST @ 15%

RATE NAME		RATE	BASIS		TOTAL
City Centre coordinator	Commercial	$0.00027041	Per $ capital value	1	$217,216
City Centre coordinator	Industrial	$0.00027041	Per $ capital value	1	$8,157
Transportation	Residential	$0.00009018	Per $ capital value	1	$770,344
Transportation	Lifestyle	$0.00008747	Per $ capital value	0.97	$3,934
Transportation	Commercial	$0.00009018	Per $ capital value	1	$115,157
Transportation	Industrial	$0.00009018	Per $ capital value	1	$57,980
Transportation	Farming	$0.00005410	Per $ capital value	0.60	$0
Stormwater	Residential	$0.00057344	Per $ capital value	1	$5,591,273
Stormwater	Lifestyle	$0.00055624	Per $ capital value	0.97	$252,298
Stormwater	Commercial	$0.00057344	Per $ capital value	1	$771,518
Stormwater	Industrial	$0.00057344	Per $ capital value	1	$412,746
Stormwater	Farming	$0.00034407	Per $ capital value	0.60	$1,907
Stormwater	Utilities	$0.00057344	Per $ capital value	1	$354,660
				Total	**$104,355,813**

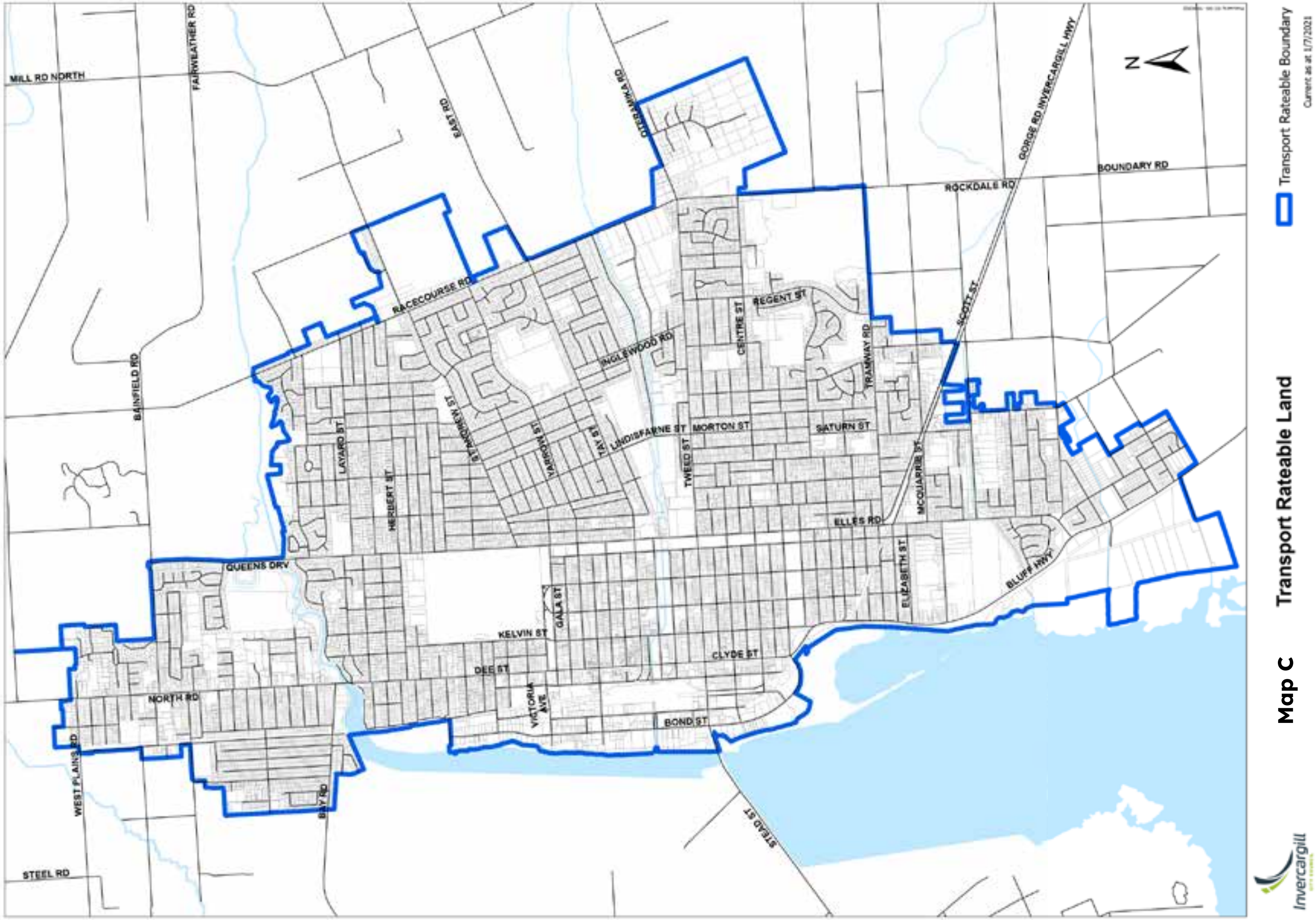
All rates contain GST @ 15%

Map A. Bluff Community Board Rating Boundary



Map B. City Centre Coordinator Rating Boundary

Map C. Transportation Boundary



Total Rates to be Collected

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 $	RATES 2025/2026	RATES 2026/2027	$ CHANGE ANNUAL	$ CHANGE WEEKLY	% CHANGE RATES
Residential	350,000	2,893	3,091	197	3.80	6.82%
Residential	390,000	3,053	3,264	211	4.05	6.90%
Residential	540,000	3,653	3,913	260	5.00	7.11%
Residential	830,000	4,814	5,169	355	6.82	7.37%
Residential	965,000	5,354	5,753	399	7.68	7.46%
Lifestyle	780,000	2,781	3,005	225	4.32	8.07%
Lifestyle	1,050,000	4,198	4,549	351	6.75	8.36%
Lifestyle	1,500,000	5,906	6,400	494	9.50	8.37%
Commercial	365,000	4,561	4,821	260	5.00	5.70%
Commercial	2,100,000	14,133	15,026	893	17.18	6.32%
Commercial	16,400,000	74,033	79,718	5,684	109.32	7.68%
Industrial	280,000	3,552	3,732	180	3.46	5.06%
Industrial	3,770,000	22,485	24,024	1,539	29.60	6.85%
Industrial	6,750,000	35,562	38,090	2,529	48.63	7.11%
Farms	740,000	1,825	1,964	139	2.67	7.61%
Farms	3,260,000	7,310	7,863	553	10.63	7.56%

Property Differentials

Council defines its rates differentials using the location and use to which the land is put. When determining the use to which the land is put, Council will consider information it holds concerning the actual use of the land, and the land use classification that Council has determined applies to the property under the Rating Valuation Rules.

Where there is no actual use of the land (i.e. the land is vacant), Council considers the location of the land and the highest and best use of the land to determine the appropriate rates differential. Highest and best use is determined by the activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management 1991.

The following differentials apply to General, Community Board, Transportation and Stormwater Drainage

LAND USE	DEFINITION	BASIS FOR RATE	
Residential	All rating units which are used exclusively or principally for residential purposes but excluding properties categorised as Lifestyle or Farms.	Rate in dollar of capital value	1
Lifestyle	Rating units typically in a rural area where the predominant use is for residential purposes. The land can be of varying size but must be larger than an ordinary residential allotment. The principal use of the land is non-economic in the traditional farming sense and the value exceeds the value of comparable farmland.	Rate in dollar of capital value	0.97
Commercial	All rating units used exclusively or principally for commercial activities including retail, offices, rest homes, motels and hotels.	Rate in dollar of capital value	1
Industrial	All rating units used exclusively or principally for industrial activities including transport, utility services, storage.	Rate in dollar of capital value	1
Farms	All rating units used exclusively or principally for agricultural or horticultural purposes including, dairying, stock fattening, arable farming, sheep, market gardens, vineyards, orchards, specialist livestock or other similar uses.	Rate in dollar of capital value	0.60
Utilities	All rating units used exclusively or principally for network utility services including water supply, wastewater, stormwater, electricity, gas and telecommunications.	Rate in dollar of capital value	1
1530 Tiwai Road	All rating units situated at 1530 Tiwai Road.	Rate in dollar of capital value	0.23

Funding Impact Statement - Invercargill City Council

(GST exclusive)

FOR THE YEAR ENDED JUNE 30		ANNUAL PLAN 2025/26 $'000	LONG-TERM PLAN 2026/27 $'000	ANNUAL PLAN 2026/27 $'000
SOURCES OF OPERATIONAL FUNDING				
General rates, uniform annual general charge, rates penalties	**1**	49,409	56,631	53,905
Targeted rates	**2**	35,610	37,116	37,960
Subsidies and grants for operating purposes		5,887	5,880	6,065
Fees and charges	**3**	31,338	35,012	31,846
Interest and dividends from investments	**4**	12,070	13,216	11,838
Local authorities fuel tax, fines, infringement fees, and other receipts	**5**	5,994	8,374	6,550
Total operating funding (A)		**140,308**	**156,229**	**148,164**
APPLICATIONS OF OPERATIONAL FUNDING				
Payments to staff and suppliers	**6**	104,207	108,765	110,496
Finance costs		7,021	8,783	8,285
Other operating funding applications		-	-	-
Total applications of operating funding (B)		**111,228**	**117,548**	**118,781**
Surplus (deficit) of operating funding (A – B)		**29,080**	**38,681**	**29,383**
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	**7**	7,862	9,580	5,509
Development and financial contributions		-	-	-
Increase (decrease) in debt	**8**	61,631	34,635	40,897
Gross proceeds from sale of assets	**9**	1,593	10,189	1,840
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding (C)		**71,086**	**54,404**	**48,246**
APPLICATION OF CAPITAL FUNDING				
Capital expenditure				
- to meet additional demand		-	-	-
- to improve the level of service	**10**	63,021	36,005	37,594
- to replace existing assets	**10**	32,227	51,828	43,185
Increase (decrease) in reserves	**11**	29	-	(4,474)
Increase (decrease) of investments	**11**	4,889	5,252	1,324
Total applications of capital funding (D)		**100,166**	**93,085**	**77,629**
Surplus (deficit) of capital funding (C - D)		**(29,080)**	**(38,681)**	**(29,383)**
FUNDING BALANCE ((A – B) + (C – D))		**-**	**-**	**-**
Depreciation expense (not included in the above FIS)		48,951	51,890	45,335

Explanation of major variances between 2026/2027 Long-term Plan Year Three and 2026/2027 Annual Plan

NOTES

1 General rates, uniform annual general charges and rates penalties are lower than anticipated in Year Three of the Long-term Plan due to the proposed lower increase in rates for non-water activities (2025/2026 average of 3.44%, -4.56% lower than the 8.23% planned & 2026/2027 average of 7.91%, -0.48% lower than the 8.39% planned). This was partly offset by a larger number of rating units than the assumption used when setting the Long-term Plan.

2 Targeted rates are higher than anticipated in Year Three of the Long-term Plan due to the proposed changes in rates for Water, Sewerage & Stormwater activities (2025/2026 average of 14.04%, +5.04% higher than the 9.00% planned, 2026/2027 average of 5.52%, -2.98% lower than the 8.50% planned) and a larger number of rating units than the assumption used when setting the Long-term Plan.

3 Fees and charges are lower than in Year Three of the Long-term Plan due reduced revenue caused by:
A) changes to economic conditions and customer spending habits, in particular for building consents, aquatics, cemeteries, crematorium and sportsground revenue; and
B) no revenue generated from Te Unua Museum of Southland due the deferred opening.

4 Interest and dividends from investments are expected to decrease due to:
A) a lower interest rate assumption of 3.50% compared to the LTP assumption of 4.50%; and
B) a lower balance of funds loaned to Invercargill Central Limited which generates interest revenue.

5 Local authorities fuel tax, fines, infringement fees, and other receipts are lower than anticipated in Year Three of the Long-term Plan due:
A) Council's withdrawal from the Southland Regional Heritage Committee in 2024/2025 and therefore ending the revenue received from Te Kupeka Tiaki Toaka Trust for collection management (this is now managed internally with the Trust); and
B) the removal of planned revenue from Parks property sales which was originally included in the Long-term Plan Year Three.

6 Payments to staff and suppliers are higher than anticipated in Year Three of the Long-term Plan due to:
A) macro-economic changes to salaries & wages, including the impact of minimum wage increases on Council's fair wage level and increased kiwisaver employer contributions; and
B) the creation and filling of technical skilled roles within Council to help with the higher level of capital delivery required and to enable Council to maintain current levels of service.
Part of these increases will be offset by:
A) Council's withdrawal from the Southland Regional Heritage Committee in 2024/2025 with grant payments no longer to be made to the committee; and
B) Organisational efficiency to be achieved via a number of mechanisms including managing operational expenditure and increasing revenue.

7 Subsidies and grants for capital expenditure are lower than anticipated in the Long-term Plan due to funding timing differences for Te Unua Museum of Southland subsidies which are expected to be received in 2026/2027. The NZTA Waka Kotahi final funding allocation for the capital programme has also been reduced.

8 Capital funding through debt is higher than anticipated in the Long-term Plan reflecting changes in funding requirements for the capital programme and lower property sales.

9 Gross proceeds from sale of assets are lower than anticipated in the Long-term Plan due to changes to property sale programme.

10 Capital Expenditure is lower than anticipated in the Long-term Plan due to timing of delivery and changes to the capital programme.

11 The increase in reserves and investments are lower than anticipated in the Long-term Plan due to the use of investments and reserves to repay borrowings and fund the capital programme.

Financial Management

Financial Management

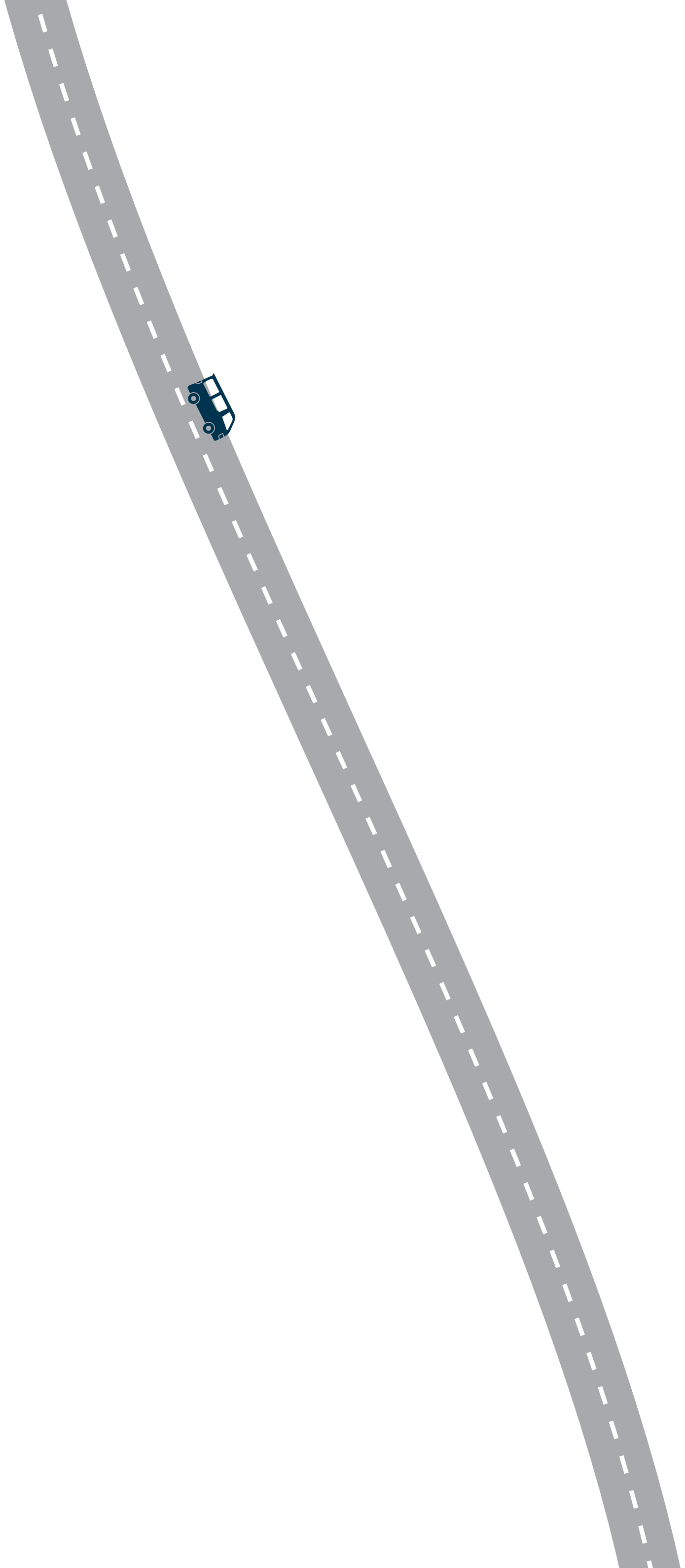
Te Whakahaere Pūtea

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
- Schedule of Reserve Funds
- Benchmarks
- Prospective Statement of Accounting Policies.

All figures are GST exclusive unless otherwise stated



Prospective Statement of Comprehensive Revenue & Expense

FINANCIAL YEAR ENDING 30 JUNE		ANNUAL PLAN 2025/26 ($000)	LONG-TERM PLAN 2026/27 ($000)	ANNUAL PLAN 2026/27 ($000)
REVENUE				
Rates Revenue	**1**	85,019	93,747	91,865
Fines		1,571	1,589	2,121
Subsidies and grants	**2**	13,749	15,460	11,574
Direct charges revenue	**3**	31,998	37,873	32,363
Rental revenue		3,763	3,924	3,912
Finance revenue	**4**	2,493	3,511	2,133
Dividends		9,577	9,705	9,705
Total revenue (excluding gains)		148,170	165,809	153,673
EXPENSES				
Employee expenses	**5**	38,452	38,139	40,785
Depreciation and amortisation	**6**	48,951	51,890	45,335
General expenses	**7**	65,675	70,545	69,629
Finance expenses		7,021	8,783	8,285
Total expenses		160,099	169,357	164,034
OTHER GAINS/(LOSSES)				
Net gain/(loss) on sale of property, plant and equipment	**8**	447	9,831	1,290
Investment property revaluations - gain / (loss)		868	645	789
Forestry assets revaluations - gain / (loss)		136	110	110
Total other gains/(losses)		1,451	10,586	2,189
Surplus / (deficit) before tax		(10,478)	7,038	(8,172)
Income tax expense		-	-	-
Surplus / (deficit) after tax		**(10,478)**	**7,038**	**(8,172)**
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Property, plant and equipment revaluation gain / (loss)	**9**	35,099	-	65,860
Carbon credit revaluation gains/(losses)		-	-	-
Cashflow hedges Cashflow hedges Cashflow hedges		-	-	-
Total other comprehensive revenue & expense		35,099	-	65,860
Total comprehensive revenue & expense		**24,621**	**7,038**	**57,688**

Prospective Statement of Cashflows

FINANCIAL YEAR ENDING 30 JUNE		ANNUAL PLAN 2025/26 ($000)	LONG-TERM PLAN 2026/27 ($000)	ANNUAL PLAN 2026/27 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from rates revenue	**1**	85,019	93,747	91,865
Receipts from other revenue	**2,3**	51,081	58,846	49,969
Interest received	**4**	2,493	3,511	2,133
Dividend received		9,577	9,705	9,705
Payments to suppliers and employees	**10**	(104,237)	(108,765)	(110,526)
Interest paid		(7,021)	(8,783)	(8,285)
Net cash flows from operating activities		**36,912**	**48,261**	**34,861**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	**8**	1,293	10,083	1,761
Proceeds from sale of investment property		300	106	79
Proceeds from sale of investments	**11**	-	-	4,000
Purchase of property, plant and equipment	**12**	(91,410)	(84,240)	(77,089)
Purchase of biological assets		-	-	-
Purchase of intangible assets		(3,629)	(3,593)	(3,690)
Purchase of investment property		(209)	-	-
Purchase of investments	**13**	(4,968)	(5,333)	(901)
Net cash flows from investing activities		**(98,623)**	**(82,977)**	**(75,840)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	**14**	64,522	38,576	52,470
Repayments of borrowings	**15**	(2,891)	(3,941)	(11,573)
Net cash flows from financing activities		**61,631**	**34,635**	**40,897**
Net (decrease) increase in cash and cash equivalents		**(80)**	**(81)**	**(82)**
Cash and cash equivalents at the beginning of the year	**16**	12,122	2,032	11,021
Cash and cash equivalents at end of the year		**12,042**	**1,951**	**10,939**

Prospective Statement of Financial Position

AS AT 30 JUNE		ANNUAL PLAN 2025/26 ($000)	LONG-TERM PLAN 2026/27 ($000)	ANNUAL PLAN 2026/27 ($000)
ASSETS				
Current assets				
Cash and cash equivalents	**16**	12,042	1,951	10,939
Receivables	**17**	14,002	17,989	16,605
Prepayments	**18**	1,776	1,434	2,326
Inventories	**19**	378	648	228
Other financial assets	**20**	30,050	35,226	23,897
Total current assets		**58,248**	**57,248**	**53,995**
NON-CURRENT ASSETS				
Property, plant and equipment	**21**	1,292,782	1,320,513	1,499,142
Intangible assets		11,504	11,165	13,205
Biological assets		4,147	4,712	4,193
Investment property		26,383	27,531	30,000
Investment in Subsidiaries		76,569	76,569	76,569
Derivative financial instruments	**22**	365	751	-
Other financial assets	**20**	21,058	19,641	20,272
Total non-current assets		**1,432,808**	**1,460,882**	**1,643,381**
TOTAL ASSETS		**1,491,056**	**1,518,130**	**1,697,376**

Prospective Statement of Financial Position continued

AS AT 30 JUNE		ANNUAL PLAN 2025/26 ($000)	LONG-TERM PLAN 2026/27 ($000)	ANNUAL PLAN 2026/27 ($000)
LIABILITIES				
Current liabilities				
Trade and other payables	**23**	16,087	20,100	21,597
Provisions		92	83	95
Employee benefit liabilities	**24**	4,575	4,071	4,849
Borrowings	**25**	46,144	51,138	48,606
Derivative financial instruments		-	-	-
Total current liabilities		**66,898**	**75,392**	**75,147**
Non-current liabilities				
Provisions		1,116	634	769
Employee benefit liabilities	**24**	-	30	-
Borrowings	**25**	184,698	204,553	194,535
Derivative financial instruments	**22**	-	-	456
Total non-current liabilities		**185,814**	**205,217**	**195,760**
TOTAL LIABILITIES		**252,712**	**280,609**	**270,907**
EQUITY				
Retained earnings		344,982	358,916	345,659
Restricted reserves		46,146	42,661	49,281
Hedging reserves		365	751	(456)
Carbon credit revaluation reserves		1,408	1,126	1,672
Asset revaluation reserves		845,443	834,067	1,030,313
TOTAL EQUITY		**1,238,344**	**1,237,521**	**1,426,469**
TOTAL LIABILITIES AND EQUITY		**1,491,056**	**1,518,130**	**1,697,376**

Prospective Statement of Changes in Equity

	ANNUAL PLAN	LONG-TERM PLAN	ANNUAL PLAN
	2025/26 ($000)	**2026/27 ($000)**	**2026/27 ($000)**
Balance at 1 July	1,213,723	1,230,483	1,368,781
Total comprehensive revenue & expense for the year	24,621	7,038	57,688
Balance at 30 June	**1,238,344**	**1,237,521**	**1,426,469**
COMPONENTS OF EQUITY			
Retained earnings at 1 July	354,230	347,593	349,357
Net surplus/(deficit) for the year	24,621	7,038	57,688
Transfers (to)/from restricted reserves	1,230	4,285	4,474
Transfers (to) /from hedging reserves	-	-	-
Transfers (to) /from carbon credit revaluation reserves	-	-	-
Transfers (to)/from asset revaluation reserves	(35,099)	-	(65,860)
Retained earnings at 30 June	**344,982**	**358,916**	**345,659**
Restricted reserves at 1 July	47,376	46,946	53,755
Transfers to/(from) reserves	(1,230)	(4,285)	(4,474)
Restricted reserves at 30 June	**46,146**	**42,661**	**49,281**
Hedging reserves at 1 July	365	751	(456)
Transfers to/(from) reserves	-	-	-
Hedging reserves at 30 June	**365**	**751**	**(456)**
Carbon credit revaluation reserves at 1 July	1,408	1,126	1,672
Transfers to/(from) reserves	-	-	-
Carbon credit revaluation reserves at 30 June	**1,408**	**1,126**	**1,672**
Asset revaluation reserves at 1 July	810,344	834,067	964,453
Transfers to/(from) reserves	35,099	-	65,860
Asset revaluation reserves at 30 June	**845,443**	**834,067**	**1,030,313**

Explanation of major variances between 2026/2027 Long-term Plan Year Three and 2026/2027 Annual Plan

KEY

(R&E) = Prospective Statement Of Comprehensive Revenue & Expense (CF) = Prospective Statement Of Cashflows (FPOS) = Prospective Statement Of Financial Position

NOTES

1 Rates revenue (R&E) and receipts from rates revenue (CF) are lower than anticipated in Year Three of the Long-term Plan due to the proposed lower increase in rates for non-water activities (2025/2026 average of 3.44%, -4.56% lower than the 8.23% planned & 2026/2027 average of 7.91%, -0.48% lower than the 8.39% planned). This is partly offset by the proposed higher increases in rates for Water, Sewerage & Stormwater activities (2025/2026 average of 14.04%, +5.04% higher than the 9.00% planned, 2026/2027 average of 5.52%, -2.98% lower than the 8.50% planned) and the rating units base being larger than the assumption used when setting the Long-term Plan.

2 Subsidies and grants (R&E) are lower than anticipated in year 3 of the Long-term plan due to funding timing differences for Te Unua Museum of Southland and the reduced NZTA Waka Kotahi final funding allocation for the 2026/2027 capital programme.

3 Direct charges revenue (R&E) are lower than in Year Three of the Long-term Plan due to:
A) Council's withdrawal from the Southland Regional Heritage Committee in 2024/2025 and therefore ending the revenue received from Te Kupeka Tiaki Toaka Trust for collection management (this is now managed internally with the Trust);
B) reduced fees & charges revenue caused by changes to economic conditions and customer spending habits, in particular for building consents, aquatics, cemeteries, crematorium and sportsground revenue;
C) the removal of planned revenue from Parks property sales included in the Long-term Plan Year Three and
D) no revenue generated from Te Unua Museum of Southland due the deferred opening.

4 Finance revenue (R&E) and Interest received (CF) is lower than anticipated in Year Three of the Long-term Plan due to:
A) a lower interest rate assumption of 3.50% compared to the Long-term Plan assumption of 4.50%; and
B) a lower balance of funds loaned to Invercargill Central Limited which generates interest revenue.

5 Employee expenses (R&E) are higher than anticipated in the Long-term Plan due to:
A) macro-economic changes, including minimum wage increases impacting on Council's fair wage level and increased kiwisaver employer contributions;
B) the creation and filling of technical skilled roles within Council to help with the higher level of capital delivery required. This will enable the Council to maintain current levels of service.

6 Depreciation and amortisation costs (R&E) are lower than anticipated in Year Three of the Long-term Plan due to:
A) lower capital delivered in 2024/2025 & 2025/2026 compared to the budget used in the Long-term Plan and
B) variances from the Long-term Plan in asset values and the estimated useful life of infrastructure and operational buildings as a result of the revaluation of assets.

7 General expenses (R&E) are lower than in Year Three of the Long-term Plan due to:
A) Council's withdrawal from the Southland Regional Heritage Committee in 2024/2025 meaning that grant payments are no longer required to be made to the committee and
B) Organisational efficiency to be achieved via a number of mechanisms including managing operational expenditure and increasing revenue.

8 Net gain/(loss) on sale of property, plant and equipment (R&E) and proceeds from sale of property, plant and equipment (CF) are lower than anticipated due to changes to timing of the property sales programme.

9 Property, plant and equipment revaluation gain / (loss) (R&E) includes a revision of timing of the asset revaluation of certain classes of assets.

10 Payments to suppliers and employees (CF) are higher than anticipated in Year Three of the Long-term Plan due to:
A) macro-economic changes to salaries & wages, including the impact of minimum wage increases on Council's fair wage level and increased kiwisaver employer contributions; and
B) the creation and filling of technical skilled roles within Council to help with the higher level of capital delivery required and to enable the Council to maintain current levels of service.

Part of these increases will be offset by:
A) Council's withdrawal from the Southland Regional Heritage Committee in 2024/2025 with subsequent grant payments no longer required to made to the committee; and
B) Organisational efficiency to be achieved via a number of mechanisms including managing operational expenditure and increasing revenue.

11 Proceeds from sale of investments (CF) are higher than anticipated in the Long-term Plan due to the $4 million dividend received from Invercargill City Holdings Limited in 2024/2025 to be withdrawn from term deposit investment and instead applied to repay borrowings.

12 Purchase of property, plant and equipment (CF) is lower than anticipated in the Long-term Plan due a decreased 2026/2027 capital programme which includes deferral to future years of Te Hinaki Civic Building renewals, City Centre - Stage two project and the pause of the Urban Play project. These have been partly offset by the Alternative Water Supply and Mersey Street rising main duplication projects being brought forward from future years.

13 Purchase of investments (CF) is lower than anticipated in the Long-term Plan due to the $4 million dividend received from Invercargill City Holdings Limited in 2025/2026 now being allocated to repay borrowings instead of investing within a term deposit as previously planned.

Explanation of major variances between 2026/2027 Long-term Plan Year Three and 2026/2027 Annual Plan

KEY

(R&E) = Prospective Statement Of Comprehensive Revenue & Expense

(CF) = Prospective Statement Of Cashflows

(FPOS) = Prospective Statement Of Financial Position

NOTES Continued

14 Proceeds from borrowings (CF) are higher than anticipated in the Long-term Plan to reflect additional debt required to fund the capital programme and operational deficit in 2026/2027.

15 Repayments of borrowings (CF) are higher than anticipated in the Long-term Plan to reflect the $4 million annual dividend received from Invercargill City Holdings Limited in both 2024/2025 and 2025/2026 ($8.0 million total) now being used to repay borrowings instead of holding the funds on term deposit as previously planned.

16 Cash and cash equivalents (CF, FPOS) are higher than anticipated in the Long-term Plan due to the 2024/25 actual closing balance being different to the balance assumption used in the Long-term Plan.

17 Receivables (FPOS) are lower than anticipated in the Long-term Plan due to the 2024/2025 actual closing balance being different to the balance assumption used in the Long-term Plan.

18 Prepayments (FPOS) are higher than anticipated in the Long-term Plan due to the 2024/2025 actual closing balance being different to the balance assumption used in the Long-term Plan.

19 Inventories (FPOS) are lower than anticipated in the Long-term Plan due to the 2024/2025 actual closing balance being different to the balance assumption used in the Long-term Plan.

20 Financial Assets (FPOS) are lower than anticipated in the Long-term Plan due to additional loan advance repayments received and the removal of the impairment of the loan advance to Invercargill Central Limited, as well as the withdrawal of $4 million from term deposits to repay borrowings.

21 Property, plant and equipment (FPOS) is higher than anticipated in the Long-term Plan due to:
A) higher asset values and longer asset life expectancy from the revaluation of infrastructure and operational buildings than what was expected in 2024/2025, and
B) changes to the capital programme delivered over the three years.

22 Derivative financial instruments (FPOS) are lower than anticipated in the Long-term Plan due to the 2024/25 actual closing balance being different to the balance assumption used in the Long-term Plan.

23 Trade and other payables (FPOS) are higher than anticipated in the Long-term Plan due to the 2024/25 actual closing balance being different to the balance assumption used in the Long-term Plan.

24 Employee benefit liabilities (FPOS) are higher than anticipated in the Long-term Plan due to the 2024/25 actual closing balance being different to the balance assumption used in the Long-term Plan.

25 Borrowings (FPOS) are lower than anticipated in the Long-term Plan due to the $4 million dividend received from Invercargill City Holdings Limited in both 2024/2025 and 2025/2026 ($8.0 million total) being used to repay borrowings instead of holding the funds on term deposit as previously planned.

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 2025, the Council holds $50.6 million reserves, with $28.6 million being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that the Council may put the funds towards. The remaining Council created reserves are discretionary reserves which the 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 the Council activity to which each reserve relates, together with summary financial information for 2026/2027.

	Opening Balance 2026/27 ($,000)	Transfers In 2026/27 ($,000)	Transfers Out 2026/27 ($,000)	Closing Balance 2026/27 ($,000)
RESTRICTED RESERVES The reserves can only be used for the purpose designated.				
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.	451	8	-	459
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	13,799	231	-	14,030
Category C (Specific purpose) These reserves are to maintain and provide for improvements to separately identifable areas. (Parks Crematorium and Cemetery, Community Centres, Waste and Infrastructure activities)	14,368	241	-	14,609
NON RESTRICTED RESERVES				
Council Created Reserves To provide funding for the ongoing operations and replacement of assets in the future. (All Activities)	2,137	3,643	(8,597)	20,183
	53,755	4,123	(8,597)	49,281

Benchmarks

What is the purpose of this statement?

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

Council is required to include this statement in its Annual Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

BENCHMARK	LIMITS	PLANNED	MET
Rates affordability benchmark: Increases (LGCI + 8%)	10.6%	7.7%	YES
Debt affordability benchmark:	20.0%	14.3%	YES
Balanced budget benchmark:	100%	95.0%	NO
Essential services benchmark:	100%	133.7%	YES
Debt servicing benchmark:	10%	5.3%	YES

NOTES

1 Rates affordability benchmark

(1) For this benchmark, — the Council's planned rates increases for the year are compared with quantified limit on rates increases for the year contained in the financial strategy included in the Council's long-term plan.

(2) The Council meets the rates affordability benchmark if — its planned rates increases for the year equal or are less than each quantified limit on rates increases.

(3) the Council meets the rates affordability benchmark in 2026/2027.

2 Debt affordability benchmark

(1) For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the Council's long-term plan.

(2) The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

3 Balanced budget benchmark

(1) For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

(2) The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

(3) Section 100(2) of the Local Government Act 2002 (LGA) sets out the matters that Council must have regard to when determining whether it is prudent to operate an unbalanced budget. These matters are:

(a) the estimated expense of achieving and maintaining the predicted levels of service provision set out in the Long-term Plan, including estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and

(b) the projected revenue available to fund the estimated expense associated with maintaining the service capacity and integrity of assets throughout their useful life;
and

(c) the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life;
and

(d) the funding and financial policies adopted under section 102.

The 2026/2027 Annual Plan projected operating revenues at a level that does not meet the projected operating costs. This reflects the challenge faced by Council of fully funding the depreciation on the infrastructure network assets which during the last three years have been subject to significant increases in asset value. Over the period of the Long-term Plan the level of rates funding of depreciation has been increased to meet this challenge.

4 Essential services benchmark

1) For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

(3) Council does not meet the essential services benchmark in 2026/2027.

Over time Council's capital expenditure should equal its depreciation. This will mean Council is replacing its assets as they deteriorate, however due to some projects being large it is hard to assess this on a year by year basis.

5 Debt servicing benchmark

(1) For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

(2) Because Statistics New Zealand projects that the Council's population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

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 Annual 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. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on 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 Annual 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.

The prospective financial statements were issued on 23 June 2026 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 2025/2026 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 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.

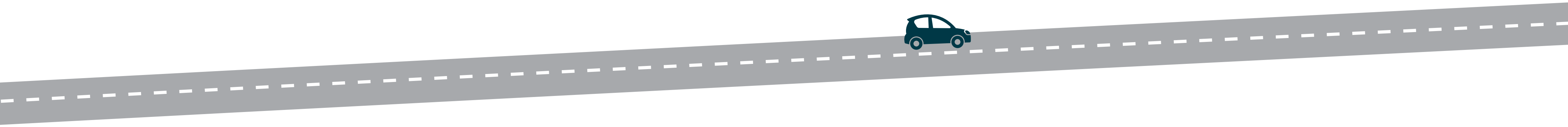
Disposals

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**	1.11%-5% SL
▪ **Roof**	1.67%-2.87% SL
▪ **Electrical**	2.20%-2.50% SL
▪ **Plumbing**	1.43% - 4% SL
▪ **Internal Fitout**	2% - 20% SL
▪ **Plant**	2% - 21.6% SL
LIBRARY BOOKS	**DEPRECIATION RATE**
▪ **Library Books**	6.85% - 10.58% SL
PLANT AND EQUIPMENT	**DEPRECIATION RATE**
▪ **Plant**	1% - 40% DV
MOTOR VEHICLES	**DEPRECIATION RATE**
▪ **Motor Vehicles**	31% DV
FURNITURE & FITTINGS	**DEPRECIATION RATE**
▪ **Furniture & Fittings**	21.6% DV

COUNCIL INFRASTRUCTURAL ASSETS	
ROADS AND BRIDGES	**DEPRECIATION RATE**
Total Pavement Layers	1.07%-9.23% SL
Total Roadway Assets	1%-2.15% SL
Traffic Signs	1.25%-10.33% SL
Street Lights	3.45%-9.77% SL
Other Asset	1.25%-5.77% SL
STORMWATER SYSTEMS	**DEPRECIATION RATE**
▪ **Stormwater**	1%-4% SL
WASTEWATER SYSTEMS	**DEPRECIATION RATE**
▪ **Wastewater**	1%-12.15% SL
WATER	**DEPRECIATION RATE**
▪ **Water**	1%-5.57% 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 2025. 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 IAM Consulting Limited. The current valuation is as at 30 June 2025. 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 2024. 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 2024 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, an independant valuer from CBRE. This valuation was as at 30 June 2025 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 indicators 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 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.
- 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.

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 year ended 30 June 2027. The prospective financial statements were authorised for issue by Council on 23 June 2026.

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

There have been no significant chcanges to accounting policies during the plan.

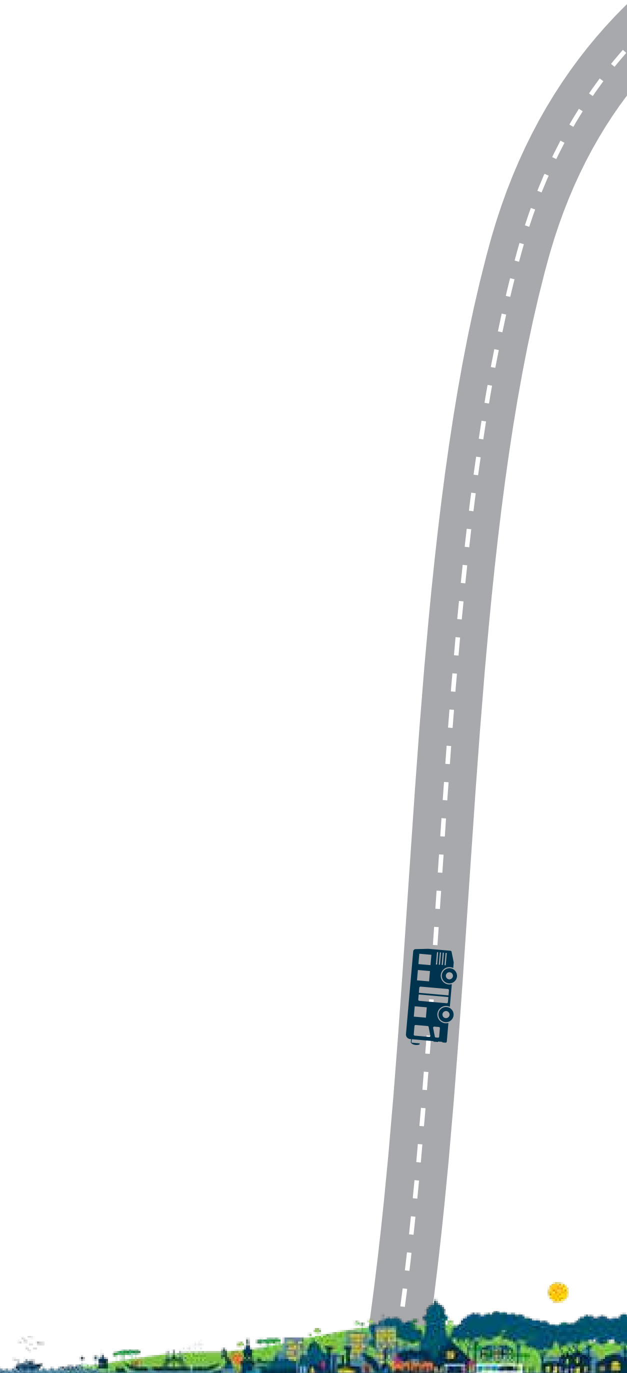
Funding Impact Statement (FIS)

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.



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