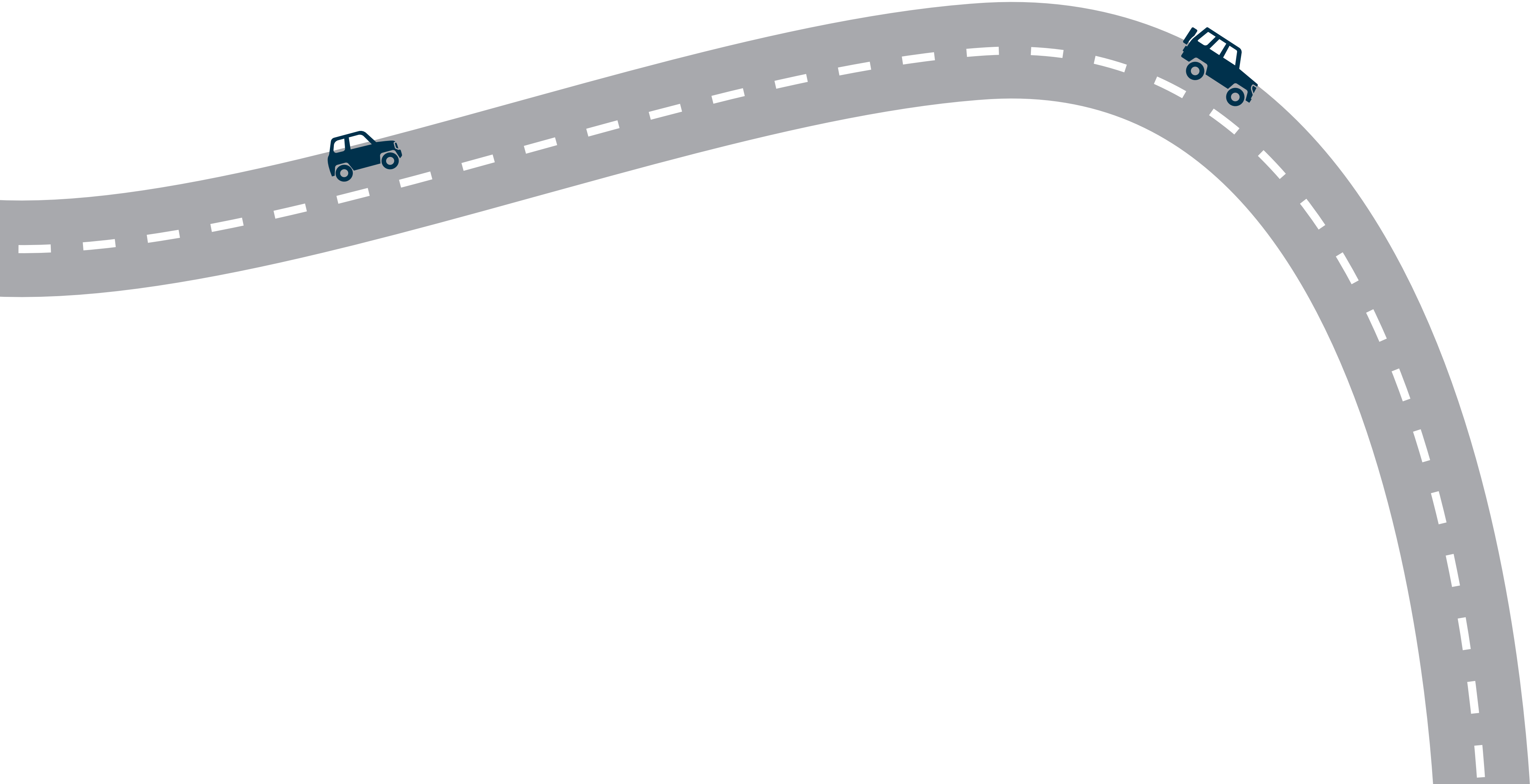
2023/2024

Annual Plan

Our Roadmap to Renewal

He Ngākau Aroha - Our City with Heart

Invercargill
CITY COUNCIL



Contents

Te rārangi ūpoko

Mayor's comment

Ngā kōrero a te Koromatua

Our Councillor team is working really well to deliver a low rate increase of 5.67% over the next 12 months, releasing the pressure on ratepayers from the cost of living impacts of higher interest rates, higher fuel and much higher food and power costs.

While focusing on our costs, we are well advanced on the new museum project 1225 to be completed by December 2025.

Invercargill Central is exciting and creates a new re-energised inner city. We still have further work to do around the inner city beautification and Wachner Place.

I'm looking forward to the Distinction Hotel complementing the ILT Langlands Hotel. I hope to be able to provide up lighting on key buildings within the inner city.

Take care

Nobby Clark
Mayor

Chief Executive's comment

Ngā kōrero a te tāhūhū rangapū

My focus over the next twelve months is to guide Council through a challenging economic environment to ensure we have the skills and resources needed to deliver projects and core business. We will review how Council approaches funding core work to find the appropriate balance between funding what we can deliver and funding future costs.

As an organisation we continue to operate as required by the Government to support the transition to the new three waters entity. We are working to ensure the community is in the best position possible to be assured of quality water delivery in the future. Our team continues to operate a well-run network and will continue to support this service until the transition.

The organisation is on a continuous improvement and change programme to address our workforce challenges and the changing needs of our customers around technology. We are working to invest in new technology which can meet the community's needs now and into the future.

There will be ongoing focus on the year ahead on wellbeing and safety both for our employees and the businesses who work with us to deliver services across the city.

Nga mihi.

Michael Day
Chief Executive

What has changed since the Long-term Plan?

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

Changes to Roadmap to Renewal and other Strategic Projects

City Streets Stage 2 project has been paused while Council reconsiders scope and timing as part of preparation for the 2024/2034 Long-term Plan, while Rugby Park and Surrey Park projects have been reassessed with a refocus on ensuring basic levels of earthquake safety are met.

The redevelopment of the Civic Administration Building has been paused with a refocus on maintenance. Plans for construction of new housing for elderly people to replace older stock has been brought forward. Some funding for the Branxholme Pipeline has been carried over, although the whole project budget remains unchanged.

Capital programme delivery

75% of the capital renewal programme is expected to be delivered in 2023/2024, unchanged from the LTP forecast.

Changes in capital programme include:

- $0.3 million carried across from 2022/2023 for re-sealing of the car park at Splash Palace.
- $1.6 million carried across from 2022/2023 for the Bluff Hill-Active Recreation Hub Carpark Redevelopment project.
- $3.7 million of 3 waters projects deferred to future years. This aligns the capital expenditure back to year 3 of the Long-term Plan 2021/2031 of $8.8 million.
- Combining the Roadmap to Renewal Projects, other Strategic Projects and the capital renewals programme, the total planned capital expenditure for 2023/2024 is $52.2 million.

Three Waters

Changes to the three waters programme have been announced, although it is not yet known the exact form the new entity will take and what year the transition will take place, although it is expected between 2024-2026.

Three waters renewals are unchanged from the LTP forecast ($8.8 million) although the way we fund renewals will change for the 2023/2024 year. Renewals will be rates funded up to $8.8 million, with any further renewals required to maintain network efficacy, debt funded. Depreciation will not be funded beyond this level.

What is the Annual Plan?

The Annual Plan is our plan for 2023/2024, year 3 of the Long-term Plan, which set out Council's vision and priorities for 2021/2031. It shows what has changed for Year 3 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 www.icc.govt.nz/public-documents

On this page you can also find the Fees and Charges Schedule for 2023/2024, as well as recent Annual Reports, which show how Council has progressed in achieving its planned projects, services and financial results.

Changes to operational activities
Reductions in opening hours at the library and pool and reduced mowing in some parks, along with other management efficiencies will be implemented to save money.

A new CCTV initiative will be implemented to improve safety in the city centre and at other key locations.

Some changes will be made within the roading and bus programmes to meet Waka Kotahi requirements.

Significant increases in costs for software licencing ($300,000) and water ($200,000) and sewerage ($300,000) operating costs are forecast.

Inflation and interest rates
Inflation is significantly impacting the community affecting the cost of living. It is also affecting Council.

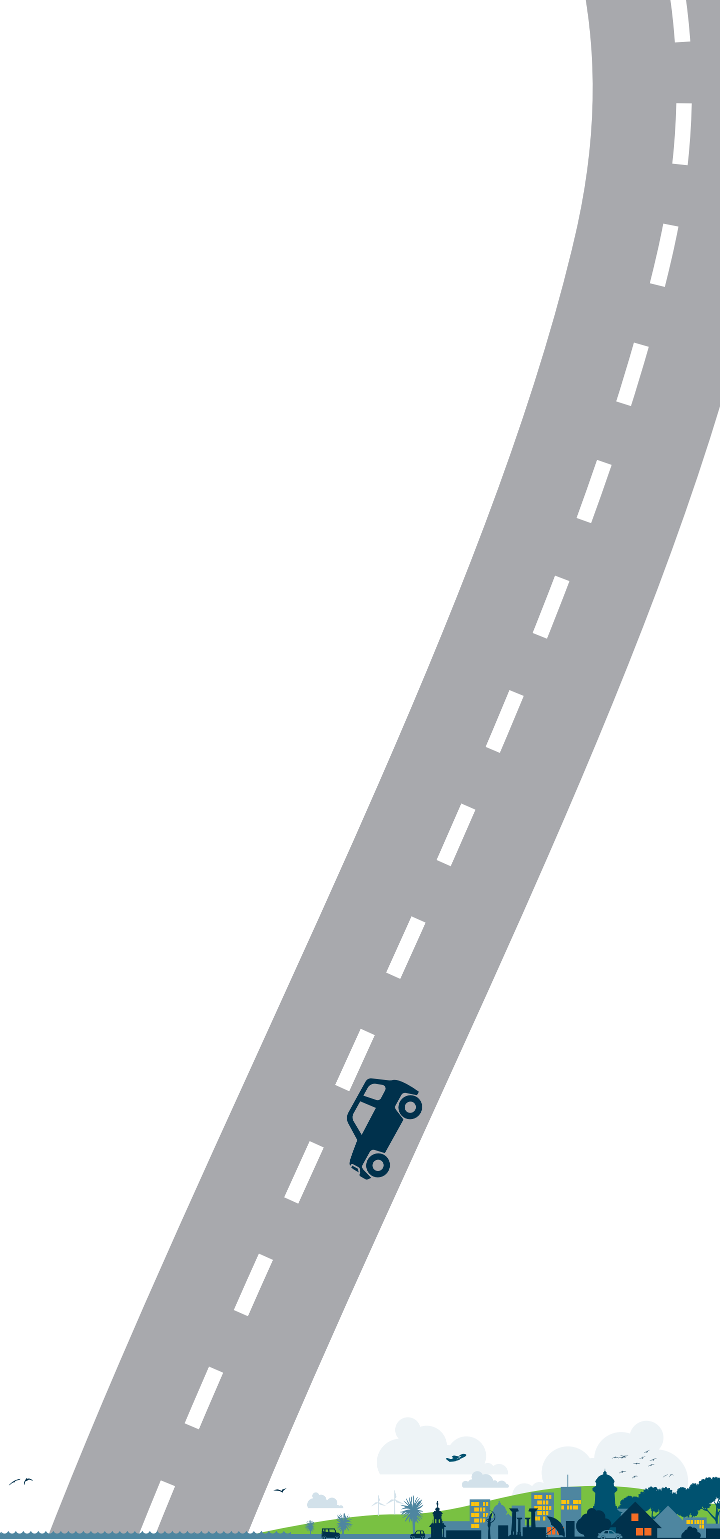
Inflation will be set at 4.2% for operational costs and 4.5% for capital costs in line with the BERL Local Government Cost Index. This is higher than the 2.5% forecast for Year 3 in the Long-term plan which significantly impacts the cost of Council's programme. More has to be spent to stand still in maintaining the level of service the community expects. Inflation is responsible for an additional $2.4 million in operational costs.

At the same time, the cost of borrowing is increasing. Council forecast 2.5% interest on borrowing for 2023/2024 in the Long Term Plan. Recent information on interest rates means that the assumption for the Annual Plan needs to increase to 3.5%. The higher interest rate along with a higher borrowing balance of $151 million has increased the finance expense to $4.4 million, compared to a forecast of $3.5 million in Year 3 of the Long-term Plan, equating to an increase cost of $0.9 million.

Council will, in areas where it has cash and commercial loans investments in the market, primarily to ICL, benefit from increased interest revenue, however this will not offset the increased cost of borrowing. Finance revenue has increased to $3.0 million, compared to a forecast of $0.2 million in Year 3 of the Long-term Plan, equating to an increase revenue of $2.8 million.

Staff cost changes
Inflation and minimum wage increases are impacting staff salaries. In order to retain and recruit the workforce needed to deliver services, Council must maintain a level of parity with the market. Council uses the Labour Cost Index and local market knowledge in determining the appropriate level of inflation.

The Governments recent minimum wage increases will result in an additional 0.5% on rates.



Plan to return to balanced budget

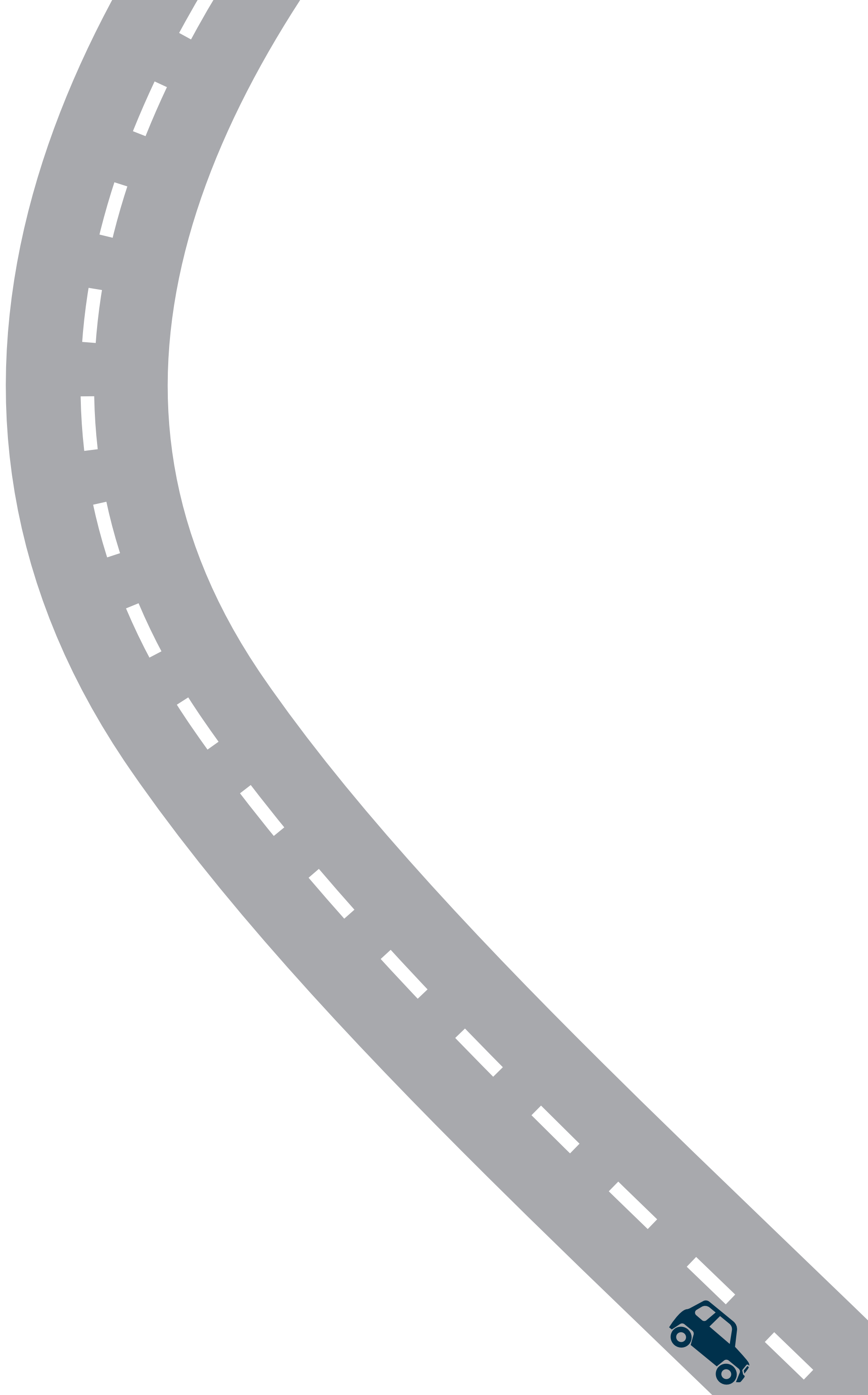
As a result of depreciation funding changes and other operating changes there is a forecast shortfall of $6.9 million, which will result in an unbalanced budget. Council will be required to show its plan to return to a balanced budget.

The increasing capital programme through to 2026/2027, particularly linked to delivery of the Museum, is putting significant pressure on our debt position and dependent on the interest rates, on our ability to maintain appropriate revenue ratios to service debt. Management and smoothing of the capital programme will be an important part of LTP planning.

Higher than planned rates increases over the early years of the 2024/2034 Long-term plan will be needed to bring us back into balance.

Other options to return to balance include Council giving consideration to areas where they may wish to consult on reduced levels of service in order to manage costs.

Consideration should also be given to the financial strategy and whether it is appropriate to shift from a depreciation funding strategy to funding of renewals, noting the risk highlighted by Audit in previous years of underfunding assets. Such as approach would require enhanced investment in building more complete asset condition data.



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 pages.

Roadmap to Renewal

He ara whakaoho

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 five strategic challenges facing the city:

- Renewal of the city centre
- Climate change
- Changing community requirements for water outcomes
- An increasingly diverse and older population
- The need to maintain core infrastructure and invest for the future, while maintaining financial prudence and balancing the community's ability to pay.

Community outcomes

Enhance our city

We will know success when:

- Invercargill's population is over 1.2% of the New Zealand total population.
- New residents feel welcomed and embraced by Invercargill culture.
- Healthy and active residents utilise space, including green space, throughout the city.
- Invercargill's economy continues to grow and diversify.
- Invercargill's business areas are bustling with people, activities and culture.

Preserve its character

We will know success when:

- Invercargill is celebrated for preserving its heritage character.
- Ease of access throughout the city is maintained.
- Our natural and existing points of difference are celebrated.
- The building blocks, including water, sanitation and roading, for a safe, friendly city is provided for all members of the community.
- Strong, collaborative leadership of the city is demonstrated.

Embrace Innovation and change

We will know success when:

- Invercargill's culture is embraced through community projects.
- The development of future industry is encouraged.
- Technology is utilised in both existing and new city services.
- Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences.
- Invercargill has the 'wow factor' with the right facilities and events to enjoy.

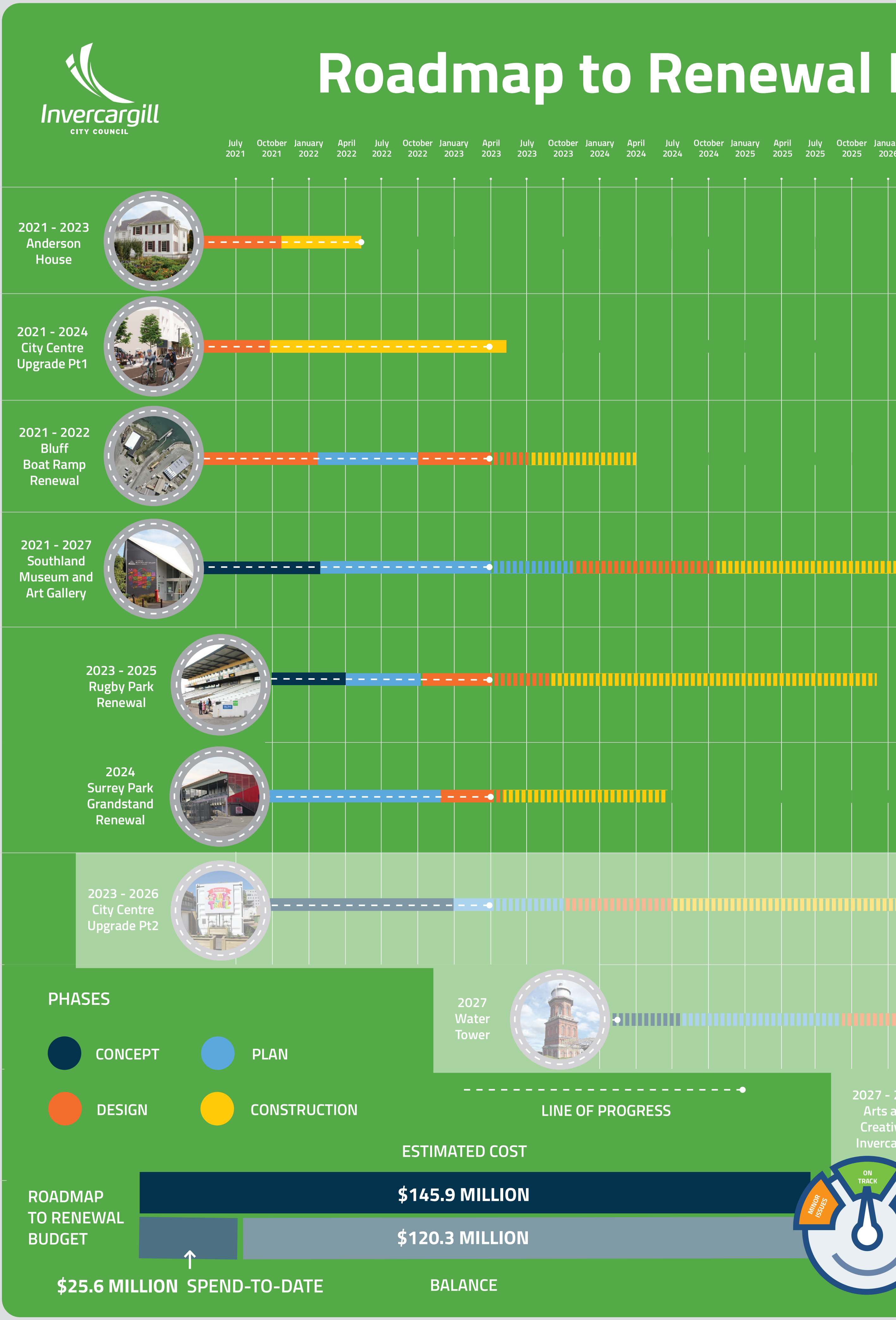
Delivery - Progress to date

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

Council laid out our Roadmap to Renewal in the 2021 – 2031 Long-term Plan. You can see our progress in delivering these key projects on this infographic.

- Anderson House and City Centre Streets Stage 1 are on schedule and on budget.
- The Bluff Boat Ramp project has been delayed due to budget increases linked to the complex marine environment. The project is now expected to commence later in 2022.
- Council has determined its preferred option for The Southland Museum and Art Gallery.
- The rest of the projects are not scheduled to commence until future years of the Plan. Work on the Water Tower will commence later but will still be finished in 2026/2027.

2029 - 2031 Additional Pool at Splash Palace


Roadmap to Renewal
Invercargill CITY COUNCIL
July 2021
October 2021
January 2022
April 2022
July 2022
October 2022
January 2023
April 2023
July 2023
October 2023
January 2024
April 2024
July 2024
October 2024
January 2025
April 2025
July 2025
October 2025
2021 - 2023 Anderson House
2021 - 2024 City Centre Upgrade Pt1
2021 - 2022 Bluff Boat Ramp Renewal
2021 - 2027 Southland Museum and Art Gallery
2023 - 2025 Rugby Park Renewal
2024 Surrey Park Grandstand Renewal
2023 - 2026 City Centre Upgrade Pt2
2027 Water Tower
PHASES
CONCEPT
PLAN
DESIGN
CONSTRUCTION
LINE OF PROGRESS
ESTIMATED COST
ROADMAP TO RENEWAL BUDGET
$145.9 MILLION
$120.3 MILLION
$25.6 MILLION SPEND-TO-DATE
BALANCE
ON TRACK
MINOR ISSUES

Refinements of the Annual Plan 2023/2024

Te Whakapakari 2023/2024

Projects carried across from 2022/2023

Bluff Hill - Active Recreation Hub Carpark Redevelopment project

Planned for completion in 2023/2024 (+$1.6 million capital in 2023/2024)

Bluff Boat Ramp upgrade

Commencement of construction in 2023/2024. Total project remains at $1.8 million (+$0.8 million capital into 2023/2024)

Projects brought forward from future years

Alternative Water Supply

Further investigation and analysis of potential location (+$0.7 million capital in 2023/2024).

Healthy Homes Innovation

Construction of four energy- efficient, warm and healthly homes ($1.7 million capital into 2023/2024).

Projects deferred into future years

City Streets upgrade

The upgrade of Kelvin St and Esk St has been deferred by a year to 2024/2025.

Civic Administration building redevelopment

The building programme has been removed from the programme and will be re-evaluated.

Changes to existing project plans

Project 1225 (museum)

Adjustments to the phasing of the project. Total project remains at $65.5 million (-$1.0 million in 2023/2024).

Rugby Park renewal

Stage Two of the building programme to create a structually sound facility will commence on the mainstand in 2023/2024 with completion due 2024/2025. Total stage cost $1.4 million.

Surrey Park Grandstand renewal

The design and commencment of construction will take place within 2023/2024 with completion due 2024/2025. Total project remains at $1.5 million (-$1.2 million in 2023/2024).

Branxholme Water Supply

The final stage of completing the Branxholme supplyline from Waikiwi to Doon Street has been rephased to commence in 2023/2024 and be completed in 2024/2025. Total project forecast remains at $25.5 million (+$10.7 million in 2023/2024).

CCTV

Additional capital of $0.8 million required to complete the upgrade of the CCTV network within the City Centre. Total project forecast now $1.0 million (+$0.2 million capital in 2023/2024).

What will it cost?

He aha te utu?

In the Long-term Plan, the forecast expenditure for 2023/2024 was:

- **$45 million capital expenditure[1]**
  (the money we spend on assets such as roads, pipes, buildings and other infrastructure)
- **$83 million operational expenditure[2]**
  (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 p7-9, these forecasts are rising to:

- **$52 million capital expenditure**
- **$93 million operational expenditure**

What's changed in our capital programme?

The flow on effects of prior year supply chain delays and continuing increasing prices have been factored into the Capital Works Programme. Delays on Branxholme pipeline upgrades has deferred the final stage into 2023/2024. Project 1225 is progressing with the Tisbury Collection storage facility on schedule. City Streets Stage 2 and the completion of the Surrey Park Grandstand renewal project have both been delayed a year to 2024/2025 to allow time to reassessment requirements and design. The Civic Administration Building redevelopment has been removed from the programme.

What's changed in our operational programme?

Council will be reducing some services to help lower the rates increase to ratepayers. These include reducing opening hours at Splash Palace, lowering mowing frequency at certain parks sites and reduction the cleaning/manning of the Wachner Place Toilets. The cost of delivering the programme is increasing due to a range of factors including inflation and interest rates.

[1] Capital programme delivered

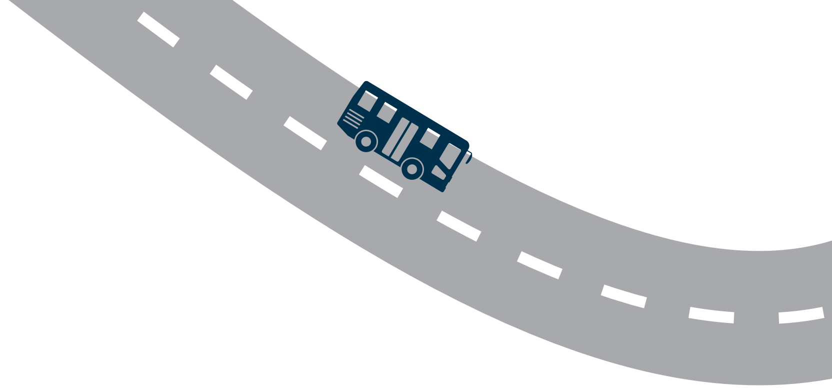
[2] Excluding depreciation

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.

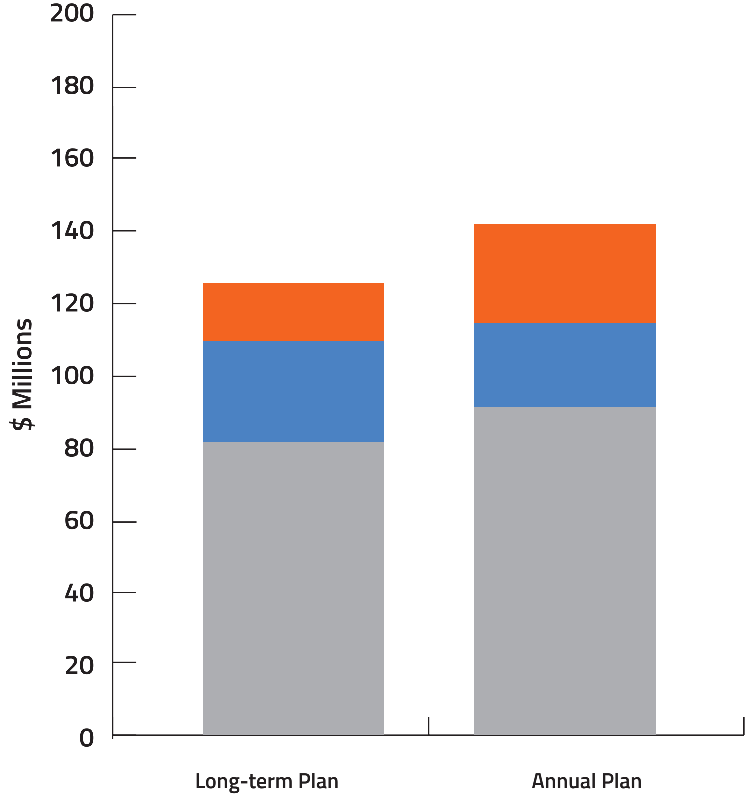
We are forecasting an increase in revenue of $2.3 million from fees and charges to cover rising costs of providing services. This includes additional revenue from water services to cover unmet depreciation costs.



What does it mean for money?

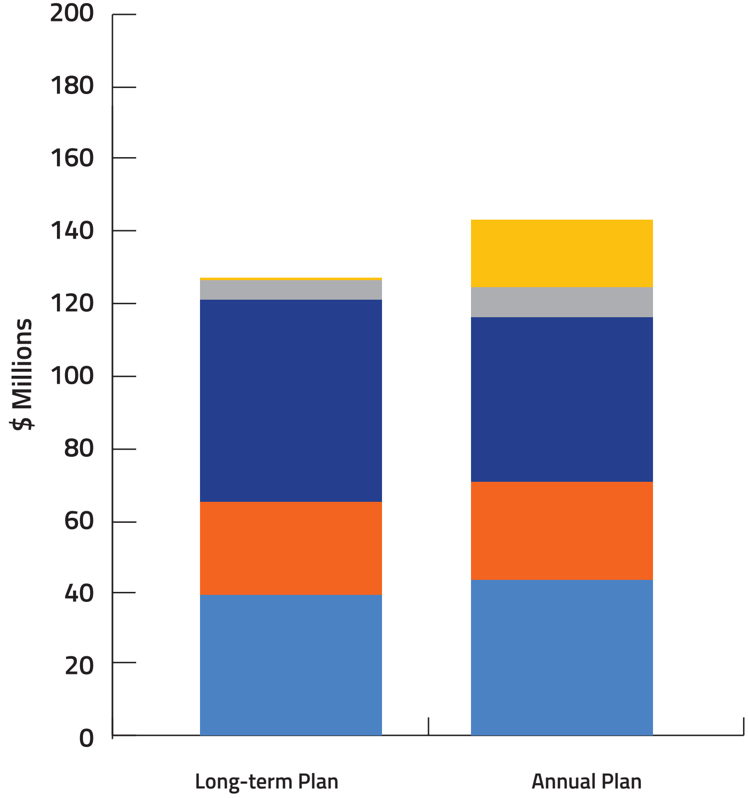
Te take pūtea?

What will it cost?



- Strategic and roadmap to renewal projects
- Core capital
- Operating expenditure (excluding depreciation)

How will we pay for it?



- Increase (decrease) in net debt
- Interest and dividends
- Operating revenue
- Targeted rates
- General rates, uniform annual general charges, rates penalties

What does this mean for rates?

He aha te whakanekeneke mō kā take kaunihera?

In the Long-term plan we forecast a 4% rates increase for 2023/2024. As a result of the changes outlined on pages 7-9 and pages 12-13, we are now forecasting a 5.67% increase in rates for 2023/2024.

What will it cost me?

- The average rates bill for residential ratepayers for last year was $2,637. This will increase to $2,787 in 2023/2024. That's an increase of $150 a year, or $2.88 a week. Note: Every property has a different value - this is an average example.
- In the Long-term plan the rates revenue was forecast to be $65.4 million in 2023/2024. This will rise to $71.1 million.

Benchmarking our Financial Plans

The changes proposed in the 2023/2024 Annual Plan (primarily driven by changes in depreciation funding) mean that Council will meet 95% of the balanced budget benchmark of 100%.

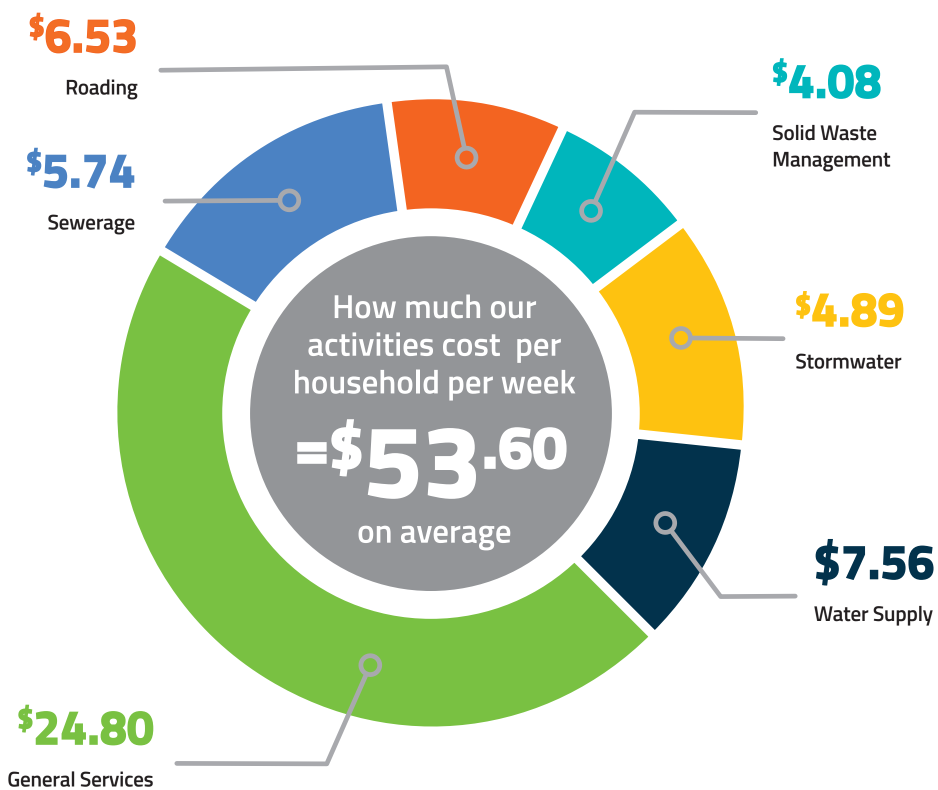
The essential services benchmark would not be met, which is at 89.4%, below the required 100% benchmark. This is due to 3 Waters capital renewals being held at year 3 of the LTP levels and Roading capital renewals being below the revaluation adjusted depreciation, particularly within Footpaths.

All other benchmarks will be met:

- The rates affordability limits of 7.5% would be met with the forecast rates increase of 5.67%
- The rates affordability – income benchmark would be met which is at 56.5%, under the 60% benchmark.
- The rates affordability – Increase benchmark would be met. The planned increase in rates revenue is 7.0% compared to the benchmark of 7.3% (Local government cost index supplied by BERL of 4.3% +3.0%).
- The debt affordability benchmark would be met, which is at 11.6%, below the 15% benchmark.
- The debt servicing benchmark would be met, which is at 3.4%, below the 10% benchmark.

Where will your rates go each week?

(GST exclusive)



General services include activities like libraries, pools, parks, regulatory services, the democratic process and corporate services.

What does this mean for debt?

He aha te whakaaweawe mō te nama?

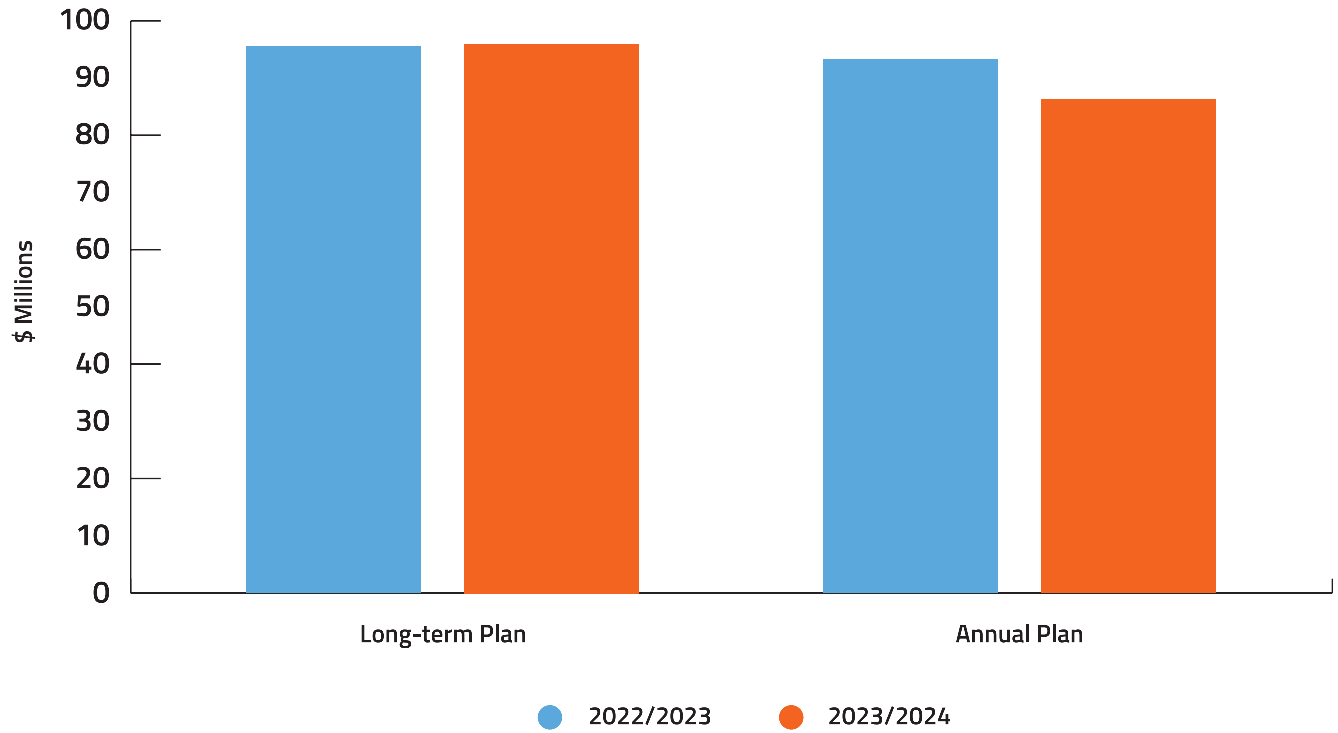
Council manages its debt through setting a net debt limit (Net debt is total borrowing less cash investments).

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 150% of revenue ($147 million - $211 million)

Net debt will remain below 150% of revenue but will peak at $188 million in 2026/2027 as work on Project 1225 museum development is completed.

Net debt levels are lower than the Long-term Plan with lower capital expenditure delivered during the 2021/2022 and 2022/2023 years.

Net debt levels will begin to rise over the coming years with the delivery of roadmap projects including Project 1225 museum development.



Financial overview

Te Arotake Pūtea

	2022/2023 ANNUAL PLAN $000	2023/2024 LONG-TERM PLAN $000	2023/2024 ANNUAL PLAN $000
Rates revenue (GST inclusive)	75,644	75,255	81,808
Rates revenue change*	7.08%	4.58%	7.02%
Rates revenue (GST exclusive)	65,777	65,439	71,137
Total revenue	114,174	115,369	127,471
Operating expenditure	116,327	113,254	134,419
Operating surplus/(deficit)	(2,153)	2,115	(6,948)
Total comprehensive revenue & expense	(2,153)	2,115	(6,948)
Total assets	1,261,607	1,171,554	1,299,696
Total liabilities (excluding borrowings)	26,627	23,085	20,763
Borrowings	148,477	140,783	150,519
Total equity	1,261,607	1,171,554	1,128,414

* 2023/2024 Annual plan rates revenue change reflects the increase above the 2022/2023 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 Runaka o te Awarua and Waihōpai Runanga. Reverend Evelyn Cook represents Waihōpai Runanga and Mrs Pania Coote represents Te Rūnaka o te Awarua. Councillor Nigel Skelt resigned and there will be a by-election for his replacement during the time of this plan.

Mayor
Nobby Clark

Tom Campbell
Councillor

Alex Crackett
Councillor

Allan Arnold
Councillor

Ria Bond
Councillor

Trish Boyle
Councillor

Grant Dermody
Councillor

Peter Kett
Councillor

Darren Ludlow
Councillor

Ian Pottinger
Councillor

Lesley Soper
Councillor

Barry Stewart
Councillor

What is Council and what does it do?

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

Evelyn Cook
Waihōpai Rūnaka Representative

Pania Coote
Te Rūnanga o Awarua Representative

Management Structure

Te hanganga whakahaere

COUNCIL
Mayor & Councillors, Mana Whenua representatives

CHIEF EXECUTIVE
Michael Day

Democratic Process

CHIEF EXECUTIVE OFFICE
- Governance and Legal
- Health, Safety and Wellbeing
- Risk

INTERIM CONSENTS AND COMPLIANCE
- Environmental Services
- Planning and Building Services
- Property Records

INTERIM CUSTOMER, COMMUNICATIONS AND PEOPLE
- Change and Transformation
- Communications
- Customer Services
- People and Capability

FINANCE AND ASSURANCE
- Financial Services
- Information Management
- Information Services
- Quality Assurance
- Strategy and Policy

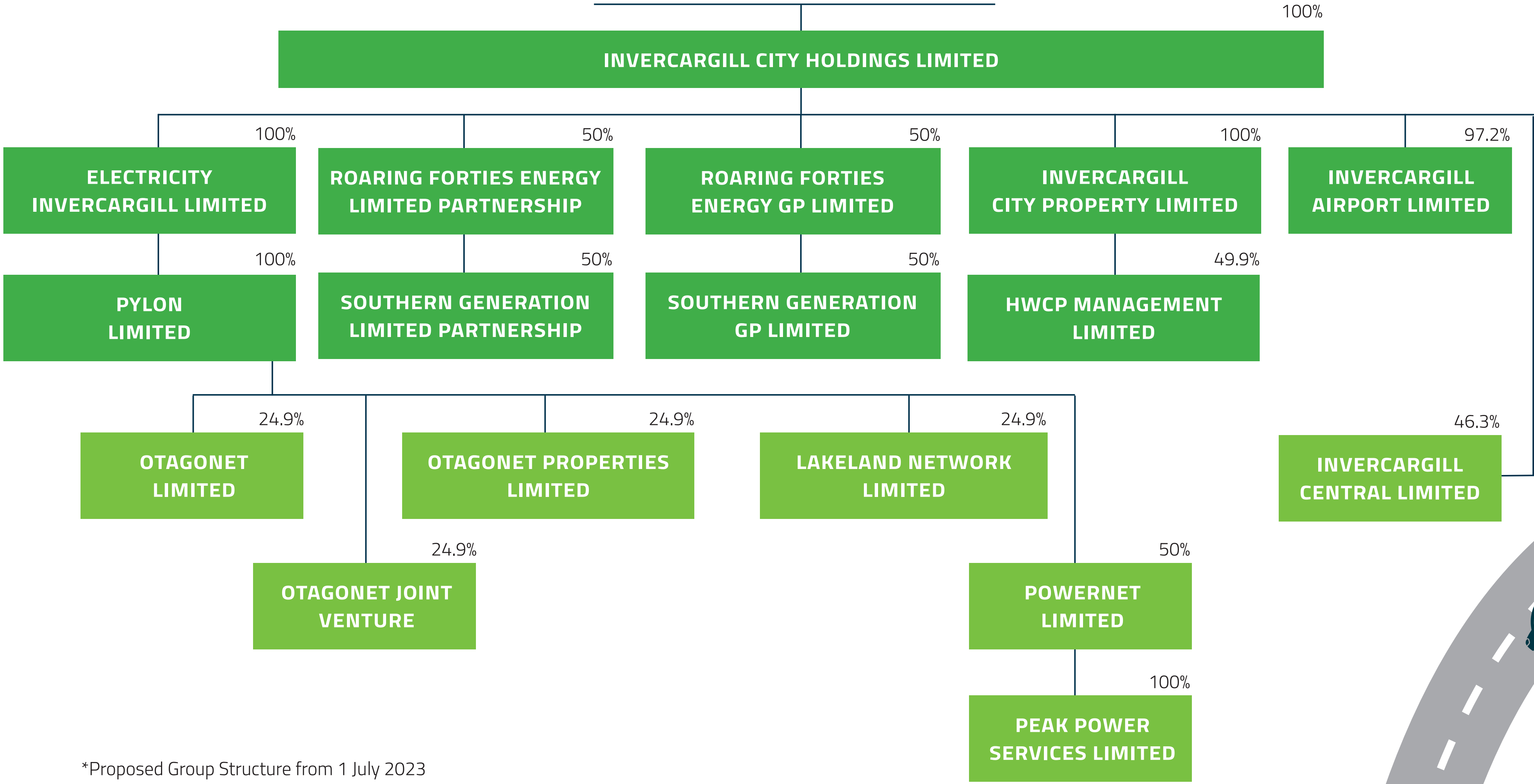
INFRASTRUCTURE
- Engineering Services
- Infrastructure Advisor
- Infrastructure Operations
- Project Management Office
- Strategic Asset Planning
- Three Waters Operations
- Three Waters Strategic Advisor

LEISURE AND RECREATION
- Aquatic Services
- Libraries
- Kaupapa Maori Services
- Museum and Heritage Services
- Parks and Recreation
- Venues and Event Services

ICHL Group Structure

PARENT BODY

Entity Preparing - Financial Statements



*Proposed Group Structure from 1 July 2023

Funding Impact Statement

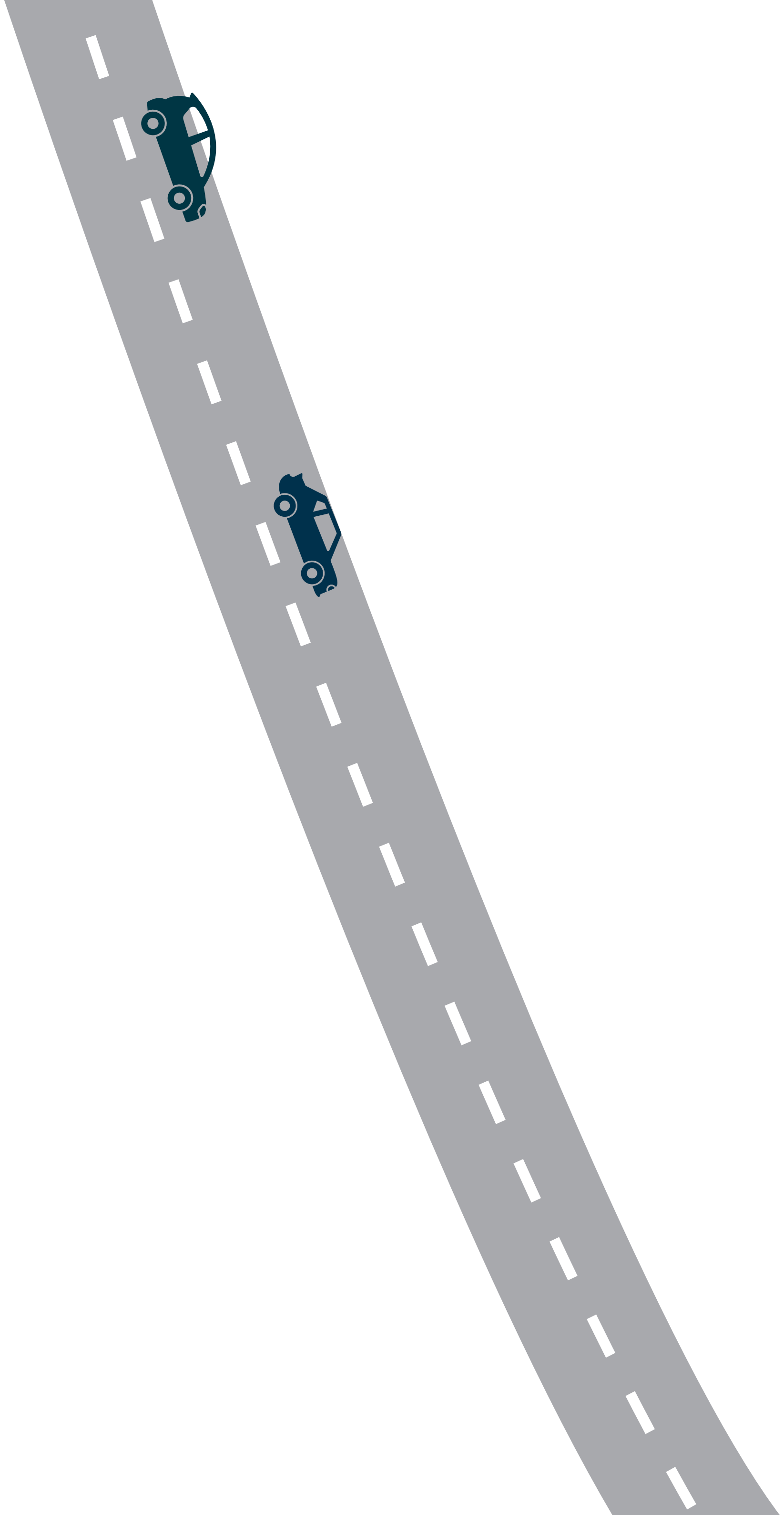
Funding Impact Statement

The Funding Impact Statement is made up of three parts:

- Rating policy information for 2023/2024
- Total rates to be collected including rating examples of different property
- Funding Impact Statement - Invercargill City Council for 2023/2024

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 and information

Te Ture Whaka Taurenga

The following rates will be set by Council for the financial year commencing 1 July 2023 and ending 30 June 2024 .

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 0.54
  54% 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.

Property Type Differentials

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

LAND USE	BASIS FOR RATE	DIFFERENTIAL
Residential	Rate in dollar on capital value	1
Lifestyle	Rate in dollar on capital value	0.97
Commercial	Rate in dollar on capital value	1
Industrial	Rate in dollar on capital value	1
Farms	Rate in dollar on capital value	0.54
Utilities	Rate in dollar on capital value	1
1530 Tiwai Road	Rate in dollar on capital value	0.20

Further information on Property Type Differentials and the definitions of each are at page 32.

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 with property type differentials applied.

General Rates and the UAGC are used to fund those activities not funded in full or part by targeted rates.

The UAGC is set under section 15 of the Local Government (Rating) Act 2002. It is general rate where every property pays the same amount regardless of its capital value, location or land usage. Using a UAGC ensures a more equitable spread of the cost of providing council services across the city.

Regional Heritage

Regional Heritage is funded as a fixed charge per SUIP across Invercargill City Council, Southland District Council and Gore District Council. This is part included as of the UAGC.

Community Board

Council sets a targeted rate to fund the costs of the Bluff Community Board. This is set as a rate in the dollar on capital value of properties identified in Map A (excluding Utilities) with property type differentials as detailed on page 23 applied.

City Centre coordinator

Council sets a targeted rate to fund the costs of City Centre coordination. 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 as detailed on page 23 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 as detailed on page 23 applied. 1530 Tiwai Road is excluded as it does not have access to stormwater drainage system. 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 fixed charges per rating unit with differentials based on capital value (CV) for other land as shown in the table below.

RATE TYPE	DIFFERENTIAL
Water - Residential	1

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

Water (continued)

For both residential and non-residential property, Vacant Serviceable Rating Units are those that are able to connect to Council water supply but are currently not connected. Such properties are charged a differential of 0.5 which is a half charge of the applicable rate.

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.

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 impossible 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 a Council water supply and it is not impossible to connect to the service.

Council charges high usage non-residential properties for metered water supply on a per cubic metre basis. The following fee is charged per cubic metre of water consumed.

Metered Water Supply	$1.00 per m^3

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 land as shown in the table below. For both residential and non-residential property, Vacant Serviceable Rating Units that are able to connect to Council's sewerage network are charged a differential of 0.5 which is a half charge of the applicable rate. 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.

Council has determined that a Vacant Serviceable Rating Unit is a property where the closest property boundary is less than 60m 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 a Council sewerage network and it is not impracticable to connect to the service.

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

Refuse 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.

Rates to be Collected

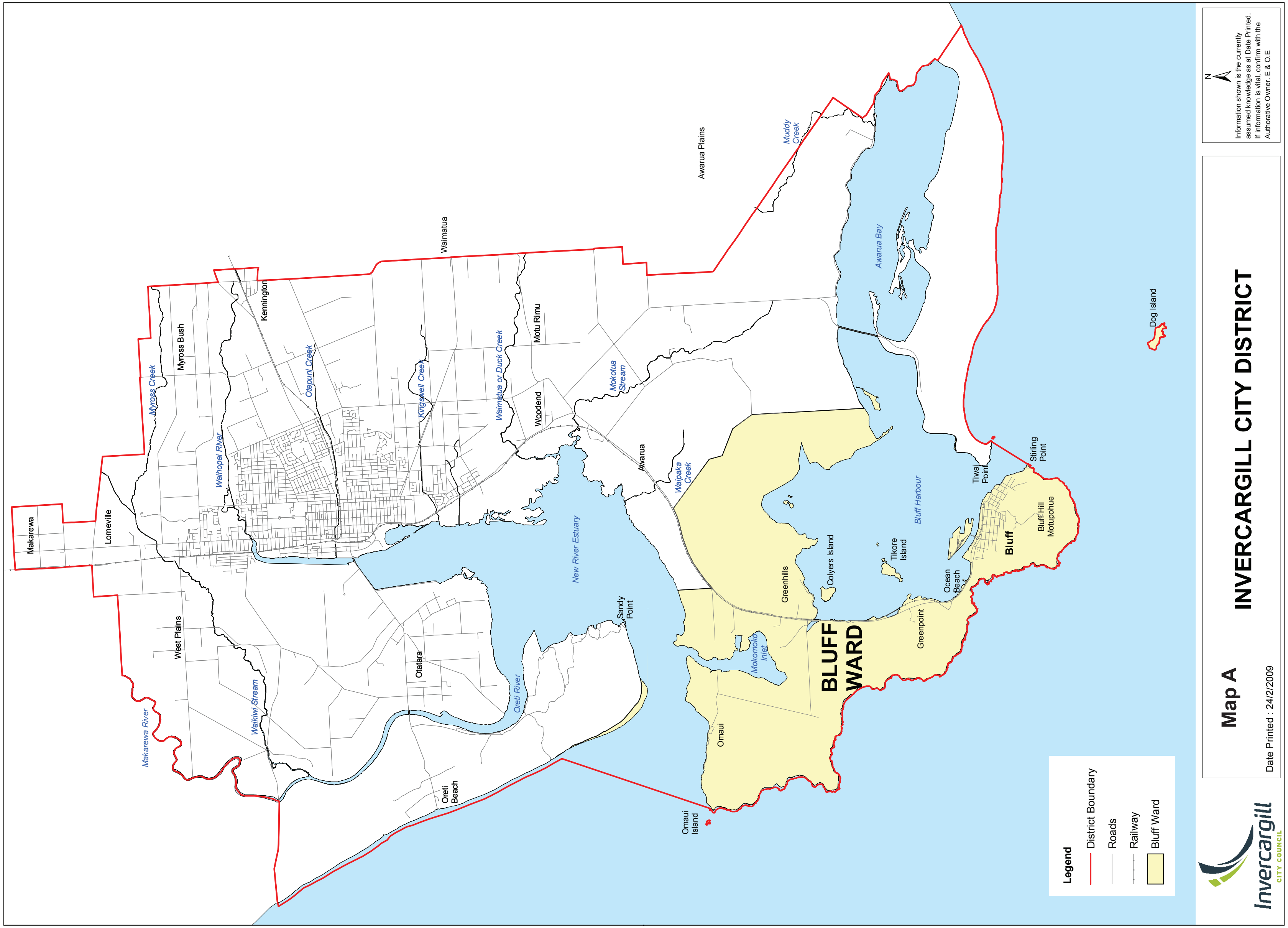
RATE NAME		RATE	BASIS	DIFFERENTIAL	TOTAL
General Rate	Residential	$0.00374021	Per $ capital value	1	$30,079,113
General Rate	Lifestyle	$0.00362800	Per $ capital value	0.97	$4,579,749
General Rate	Commercial	$0.00374021	Per $ capital value	1	$3,911,015
General Rate	Industrial	$0.00374021	Per $ capital value	1	$2,594,510
General Rate	Farming	$0.00201971	Per $ capital value	0.54	$692,674
General Rate	1530 Tiwai Road	$0.00074804	Per $ capital value	0.2	$147,035
General Rate	Utilities	$0.00374021	Per $ capital value	1	$1,964,220
UAGC		$202.62	Per SUIP	1	$5,400,131
Water Supply	Residential	$460.62	Per connected SUIP	1	$9,593,005
Water Supply	Non-Residential	$583.66	Per connected rating unit	1	$1,840,446
Sewerage	Residential	$298.97	Per connected SUIP	1	$6,474,757
Sewerage	Non-Residential	$692.97	Per connected rating unit	1	$2,209,136
Refuse Collection	Kerbside Collection	$235.93	Per set of bins provided	1	$5,111,648
Bluff Community Board	Residential	$0.00031362	Per $ capital value	1	$76,422
Bluff Community Board	Lifestyle	$0.00030421	Per $ capital value	0.97	$9,336
Bluff Community Board	Commercial	$0.00031362	Per $ capital value	1	$2,813
Bluff Community Board	Industrial	$0.00031362	Per $ capital value	1	$16,448
Bluff Community Board	Farming	$0.00016935	Per $ capital value	0.54	$4,543

All rates contain GST @ 15%

RATE NAME		RATE	BASIS	DIFFERENTIAL	TOTAL
City Centre coordinator	Commercial	$0.00031902	Per $ capital value	1	$7,450
City Centre coordinator	Industrial	$0.00031902	Per $ capital value	1	$190,165
Transportation	Residential	$0.00006932	Per $ capital value	1	$483,913
Transportation	Lifestyle	$0.00006725	Per $ capital value	0.97	$2,047
Transportation	Commercial	$0.00006932	Per $ capital value	1	$65,829
Transportation	Industrial	$0.00006932	Per $ capital value	1	$33,021
Transportation	Farming	$0.00003744	Per $ capital value	0.54	$45
Stormwater	Residential	$0.00054187	Per $ capital value	1	$4,265,025
Stormwater	Lifestyle	$0.00052561	Per $ capital value	0.97	$167,971
Stormwater	Commercial	$0.00054187	Per $ capital value	1	$545,877
Stormwater	Industrial	$0.00054187	Per $ capital value	1	$280,140
Stormwater	Farming	$0.00029261	Per $ capital value	0.54	$441
Stormwater	Utilities	$0.00054187	Per $ capital value	1	$281,400
					$81,030,325

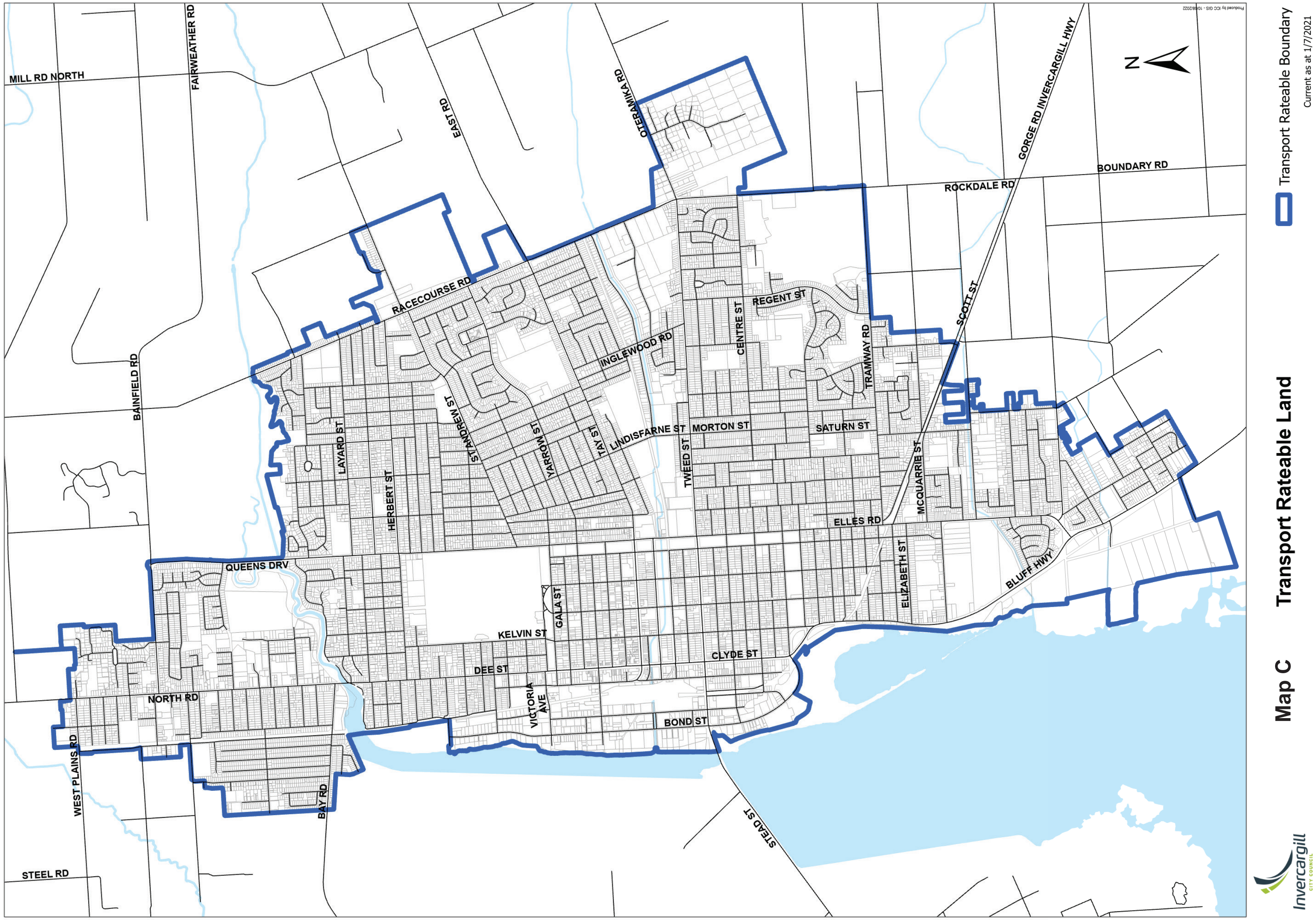
All rates contain GST @ 15%

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 2022/23	RATES 2023/24	$ CHANGE ANNUAL	$ CHANGE WEEKLY	% CHANGE RATES
Residential	160,000	2,287	2,417	130	2.50	5.67%
Residential	200,000	2,473	2,613	140	2.69	5.67%
Residential	335,000	3,007	3,177	170	3.27	5.67%
Residential	550,000	3,934	4,157	223	4.29	5.67%
Residential	640,000	4,345	4,591	246	4.73	5.67%
Lifestyle	465,000	2,286	2,416	130	2.50	5.67%
Lifestyle	670,000	3,671	3,879	208	4.00	5.67%
Lifestyle	1,120,000	4,927	5,206	279	5.37	5.67%
Commercial	250,000	3,388	3,580	192	3.69	5.67%
Commercial	1,500,000	11,566	12,222	656	12.62	5.67%
Commercial	11,000,000	60,476	63,905	3,429	65.94	5.67%
Industrial	155,000	2,614	2,762	148	2.85	5.67%
Industrial	2,280,000	16,510	17,446	936	18.00	5.67%
Industrial	5,000,000	30,549	32,281	1,732	33.31	5.67%
Farming	677,000	1,621	1,713	92	1.77	5.67%
Farming	3,500,000	6,841	7,229	388	7.46	5.67%
Farming	8,500,000	15,101	15,957	856	16.46	5.67%

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.

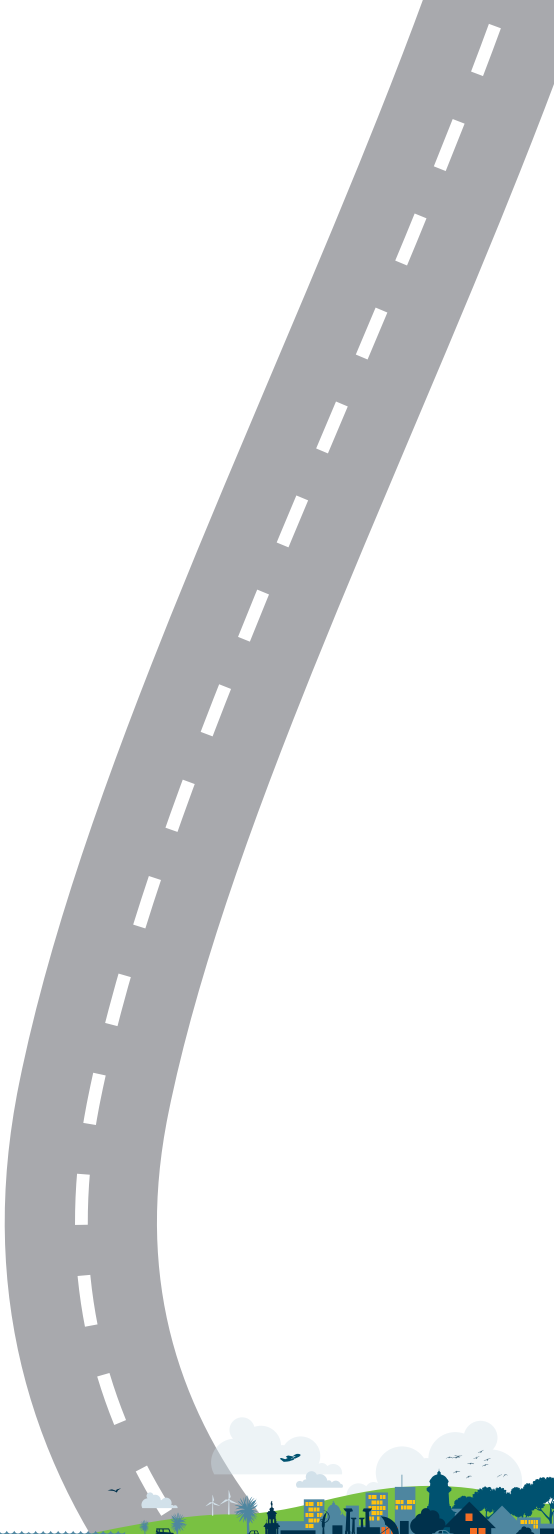
The following differentials apply to General, Community Board, Transportation and Stormwater Drainage rates:

LAND USE	DEFINITION	BASIS FOR RATE	DIFFERENTIAL
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	0.54
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	0.20

Funding Impact Statement - Invercargill City Council

(GST exclusive)

FOR THE YEAR ENDED JUNE 30		ANNUAL PLAN 2022/23 $'000	LONG-TERM PLAN 2023/24 $'000	ANNUAL PLAN 2023/24 $'000
SOURCES OF OPERATIONAL FUNDING				
General rates, uniform annual general charge, rates penalties	**1**	40,108	39,443	43,605
Targeted rates	**1**	25,669	25,996	27,532
Subsidies and grants for operating purposes	**2**	4,426	4,778	5,675
Fees and charges	**3**	25,064	28,091	27,379
Interest and dividends from investments	**4**	5,781	5,390	8,345
Local authorities fuel tax, fines, infringement fees, and other receipts		3,261	2,727	2,526
Total operating funding (A)		**104,309**	**106,425**	**115,062**
APPLICATIONS OF OPERATIONAL FUNDING				
Payments to staff and suppliers	**5**	81,979	79,490	88,387
Finance costs	**6**	2,325	3,502	4,368
Other operating funding applications		0	0	0
Total applications of operating funding (B)		**84,304**	**82,992**	**92,755**
Surplus (deficit) of operating funding (A – B)		**20,005**	**23,433**	**22,307**
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	**7**	9,123	7,702	10,946
Development and financial contributions		0	0	0
Increase (decrease) in debt	**8**	54,764	510	23,644
Gross proceeds from sale of assets	**9**	0	13,500	0
Lump sum contributions		0	0	0
Other dedicated capital funding		0	0	0
Total sources of capital funding (C)		**63,887**	**21,712**	**34,590**
APPLICATION OF CAPITAL FUNDING				
Capital expenditure				
- to meet additional demand		0	0	0
- to improve the level of service	**10**	43,063	17,606	26,079
- to replace existing assets	**10**	32,553	27,355	26,079
Increase (decrease) in reserves		0	0	4,106
Increase (decrease) of investments		8,276	184	633
Total applications of capital funding (D)		**83,892**	**45,145**	**56,897**
Surplus (deficit) of capital funding (C - D)		**(20,005)**	**23,433**	**(22,307)**
FUNDING BALANCE ((A – B) + (C – D))		**0**	**0**	**0**
Depreciation expense (not included in the above FIS)		32,023	30,262	41,663



Explanation of major variances between 2023/2024 Long-term Plan Year 3 and 2023/2024 Annual Plan

NOTES

1 General rates, uniform annual general charges, rates penalties and Targeted rates are higher than anticipated in year 3 of the Long-term Plan due to the proposed higher increase in rates (6.53%, +2.53% higher than the 4.00% planned in 2022/2023 and 5.67%, +1.67% higher than the 4.00% planned in 2023/2024) and the rating units base being larger than the assumption used when setting the Long-term Plan.

2 Subsidies and grants for operating purposes is expected to be higher with increased use of Waka Kotahi subsidies available above the Long-term Plan assumptions.

3 Fees and charges are lower than in year 3 of the Long-term Plan due to the loss of milk income and rental revenue caused by the sale of some investment property in 2021/2022.

4 Interest and dividends from investments is expected to increase with higher investment interest rates available and $31.45 million of funds loaned to Invercargill Central Limited generating additional interest revenue.

5 Payments to staff and suppliers are higher than anticipated in the Long-term Plan due to A) higher 2023/2024 inflation assumption of 4.2% compared to the Long-term Plan of 2.5%; B) adjustments to align with Waka Kotahi operating programme; C) higher contract renewal expenses including Electricity; D) higher employee costs due to macro economic changes, including minimum wage increase impact on Council's fair wage level, higher than Long-term Plan staffing numbers and low unemployment levels resulting in higher costs to retain and attract new staff.

6 Finance costs are higher than anticipated in the Long-term Plan due to higher interest rates and average borrowings balance expected during the year.

7 Subsidies and grants for capital expenditure are higher than anticipated in the Long-term Plan due to recognising the revenue received from external parties for the Bluff Hill - Active Recreation Hub project which is expected to commence in 2023/2024.

8 Increase (decrease) in debt are higher than anticipated in the Long-term Plan to fund the increased capital programme and to recognise lower repayment from funds as the sale of investment property at Awarua has already occurred.

9 Gross proceeds from sale of assets within the Long-term plan included the sale of investment property at Awarua. This property was sold in 2021/2022.

10 Capital expenditure are higher than anticipated in the Long-term Plan due to movement within the existing capital programme including A) deferring City Streets Stage 2 and renewal work of Surrey Park grandstand project to 2024/2025; B) Carry forward from 2022/2023 the final stage of the Branxholme Supply main pipeline; C) removal of Civic Administration building renewal project from 2023/2024.

Financial Management

Te Whakahaere Pūtea

Financial Management

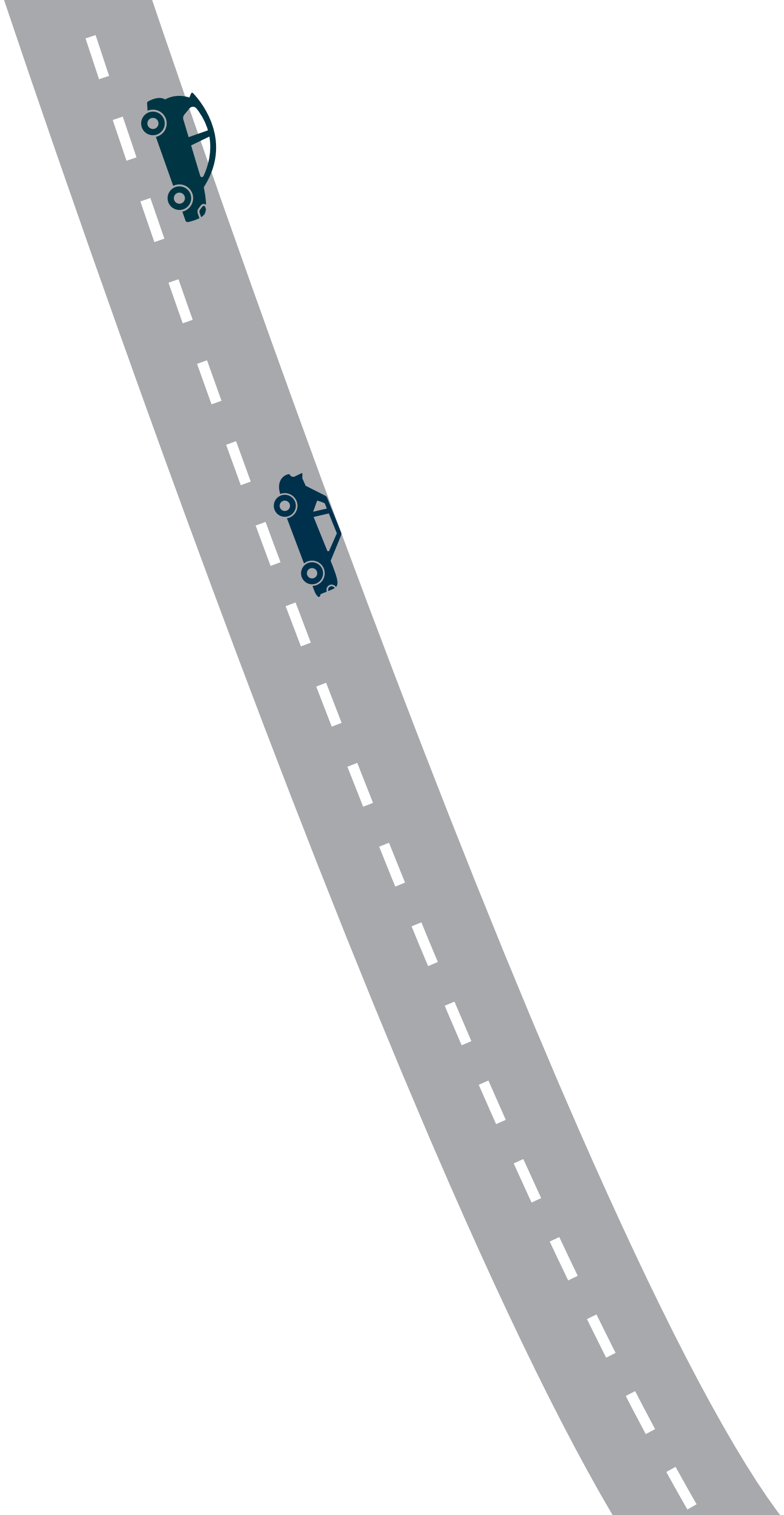
Te Whakahaere Pūtea

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:

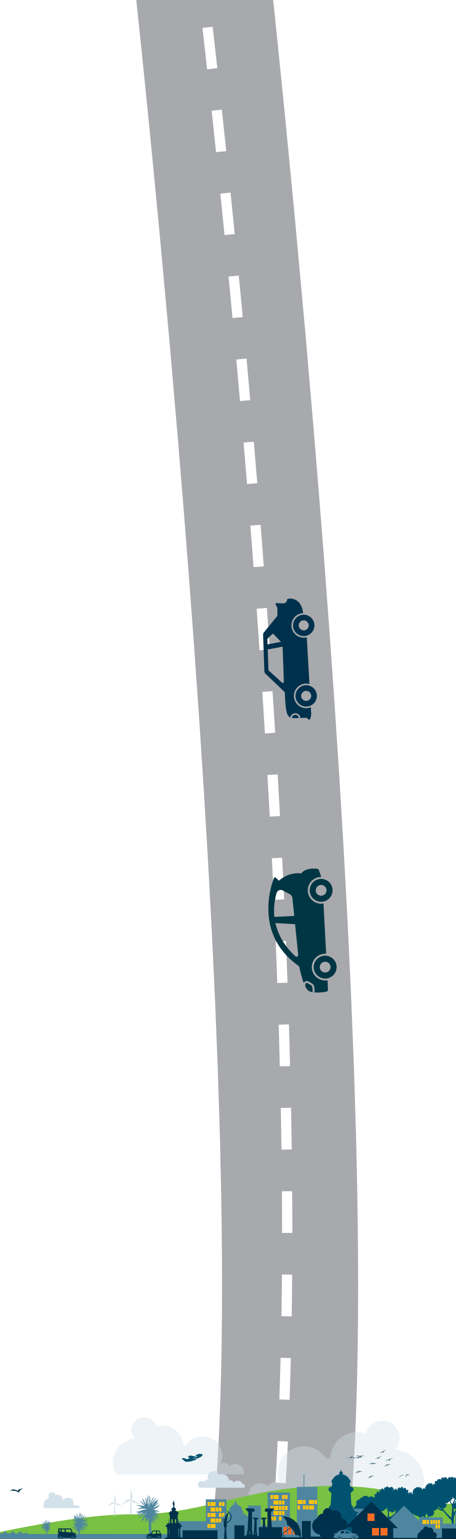
- Prospective Statement of Comprehensive Revenue and Expense
- Prospective Statement of Cashflows
- Prospective Statement of Financial Position
- Prospective Statement of Changes in Equity
- Schedule of Reserve Funds
- Benchmarks
- Prospective Statement of Accounting Policies.

All figures are GST exclusive unless otherwise stated



Prospective Statement of Comprehensive Revenue & Expense

FINANCIAL YEAR ENDING 30 JUNE	Note	ANNUAL PLAN 2022/23 ($000)	LONG-TERM PLAN 2023/24 ($000)	ANNUAL PLAN 2023/24 ($000)
REVENUE				
Rates Revenue	**1**	65,777	65,439	71,137
Fines		605	639	475
Subsidies and grants	**2**	13,549	12,480	16,621
Direct charges revenue		24,350	25,899	25,777
Rental revenue	**3**	3,370	4,280	3,653
Finance revenue	**4**	692	184	3,042
Dividends		5,089	5,206	5,303
Total revenue		113,432	114,127	126,008
EXPENSES				
Employee expenses	**5**	30,602	28,666	33,005
Depreciation and amortisation	**6**	32,023	30,262	41,663
General expenses	**7**	51,377	50,824	55,383
Finance expenses	**8**	2,325	3,502	4,368
Total expenses		116,327	113,254	134,419
OTHER GAINS/(LOSSES)				
Investment property revaluations - gain / (loss)		637	1,143	1,279
Forestry assets revaluations - gain / (loss)		105	99	184
Total other gains/(losses)		742	1,242	1,463
Surplus / (deficit) before tax		(2,153)	2,115	(6,948)
Income tax expense		0	0	0
Surplus / (deficit) after tax		**(2,153)**	**2,115**	**(6,948)**
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Property, plant and equipment revaluation gain / (loss)		0	0	0
Total other comprehensive revenue & expense		0	0	0
Total comprehensive revenue & expense		**(2,153)**	**2,115**	**(6,948)**



Prospective Statement of Cashflows

FINANCIAL YEAR ENDING 30 JUNE		ANNUAL PLAN 2022/23 ($000)	LONG-TERM PLAN 2023/24 ($000)	ANNUAL PLAN 2023/24 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from rates revenue	**1**	65,777	65,439	71,137
Receipts from other revenue	**2,3**	41,874	43,298	46,526
Interest received	**4**	692	184	3,042
Dividend received		5,089	5,206	5,303
Payments to suppliers and employees	**5,7**	(81,979)	(79,490)	(88,203)
Interest paid	**8**	(2,325)	(3,502)	(4,368)
Net cash flows from operating activities		**29,128**	**31,135**	**33,437**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		0	0	0
Proceeds from sale of investment property	**9**	7,100	13,500	0
Proceeds from sale of investments		0	0	0
Purchase of property, plant and equipment	**10**	(71,638)	(44,455)	(49,901)
Purchase of biological assets		0	0	0
Purchase of intangible assets	**11**	(3,579)	(506)	(2,257)
Purchase of investment property		(399)	0	0
Purchase of investments	**12**	(15,376)	(184)	(4,923)
Net cash flows from investing activities		**(83,892)**	**(31,645)**	**(57,081)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	**13**	54,764	510	23,644
Repayments of borrowings		0	0	0
Net cash flows from financing activities		**54,764**	**15,033**	**23,644**
Net (decrease) increase in cash and cash equivalents		**0**	**0**	**0**
Cash and cash equivalents at the beginning of the year	**14**	12,663	6,505	11,096
Cash and cash equivalents at end of the year		**12,663**	**6,505**	**11,096**

Prospective Financial Statements

Prospective Statement of Financial Position

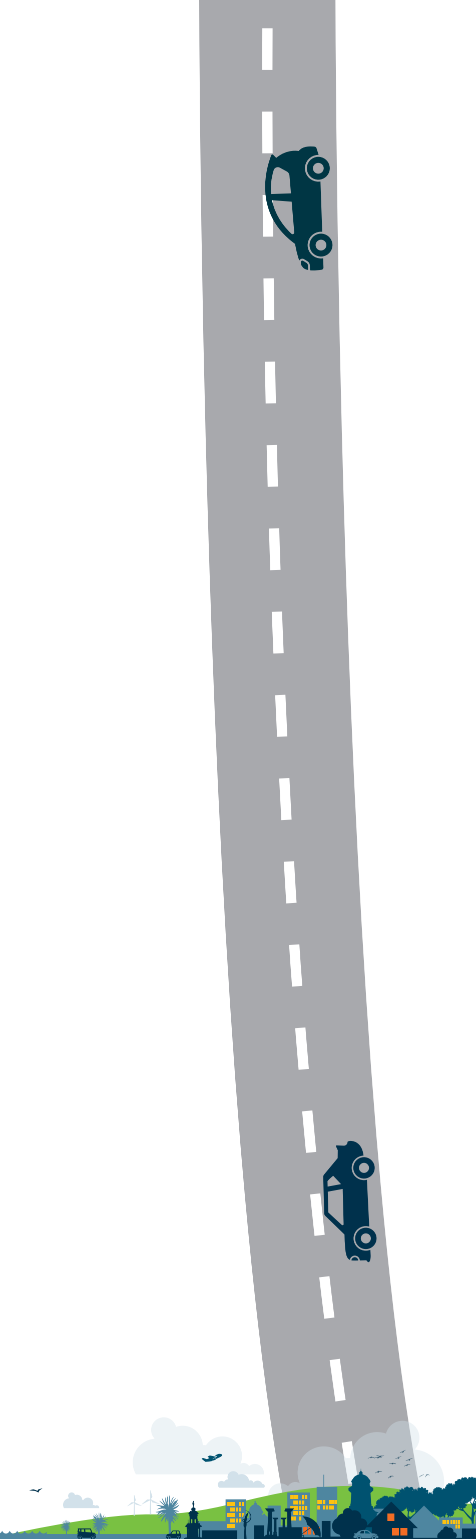
AS AT 30 JUNE		ANNUAL PLAN 2022/23 ($000)	LONG-TERM PLAN 2023/24 ($000)	ANNUAL PLAN 2023/24 ($000)
ASSETS				
Current assets				
Cash and cash equivalents	**14**	12,663	6,505	11,096
Receivables	**15**	11,649	11,948	13,901
Prepayments	**16**	1,089	486	1,333
Inventories		751	870	500
Assets held for sale		0	0	0
Other financial assets	**17**	18,302	29,359	18,717
Total current assets		**44,454**	**49,168**	**45,547**
NON-CURRENT ASSETS				
Property, plant and equipment	**18**	1,070,534	995,828	1,101,781
Intangible assets	**19**	5,776	2,794	7,421
Biological assets		4,246	4,048	4,271
Investment property	**20**	27,566	33,361	29,699
Investment in CCOs and similar entities		84,069	76,569	76,569
Derivative financial instruments	**21**	0	0	481
Other financial assets	**17**	24,962	9,786	33,927
Total non-current assets		**1,217,153**	**1,122,386**	**1,254,149**
TOTAL ASSETS		**1,261,607**	**1,171,554**	**1,299,696**

Prospective Statement of Financial Position continued

AS AT 30 JUNE		ANNUAL PLAN 2022/23 ($000)	LONG-TERM PLAN 2023/24 ($000)	ANNUAL PLAN 2023/24 ($000)
LIABILITIES				
Current liabilities				
Trade and other payables	**22**	20,260	14,407	15,943
Provisions		112	112	112
Employee benefit liabilities		2,663	3,034	3,866
Borrowings	**23**	59,391	56,313	32,012
Derivative financial instruments	**21**	0	0	0
Total current liabilities		**82,426**	**73,866**	**51,933**
Non-current liabilities				
Provisions		816	816	816
Employee benefit liabilities		872	1,223	26
Borrowings	**23**	89,086	84,470	118,507
Derivative financial instruments	**21**	1,904	3,493	0
Total non-current liabilities		**92,678**	**90,002**	**119,349**
TOTAL LIABILITIES		**175,104**	**163,868**	**171,282**
EQUITY				
Retained earnings		385,802	384,678	353,047
Restricted reserves		40,220	40,497	57,344
Hedging reserves		(1,904)	(3,493)	481
Carbon credit revaluation reserves		1,182	815	2,229
Asset revaluation reserves		661,203	585,189	715,313
TOTAL EQUITY		**1,086,503**	**1,007,686**	**1,128,414**
TOTAL LIABILITIES AND EQUITY		**1,261,607**	**1,171,554**	**1,299,696**

Prospective Statement of Changes in Equity

AS AT 30 JUNE	ANNUAL PLAN 2022/23 ($000)	LONG-TERM PLAN 2023/24 ($000)	ANNUAL PLAN 2023/24 ($000)
Balance at 1 July	1,088,656	1,005,571	1,135,362
Total comprehensive revenue & expense for the year	(2,153)	2,115	(6,948)
Balance at 30 June	**1,086,503**	**1,007,686**	**1,128,414**
COMPONENTS OF EQUITY			
Retained earnings at 1 July	390,747	386,079	366,773
Net surplus/(deficit) for the year	(2,153)	2,115	(6948)
Transfers (to)/from restricted reserves	(2,792)	(3,516)	(6,778)
Transfers (to) /from hedging reserves	0	0	0
Transfers (to) /from carbon credit revaluation reserves	0	0	0
Transfers (to)/from asset revaluation reserves	0	0	0
Retained earnings at 30 June	**385,802**	**384,678**	**353,047**
Restricted reserves at 1 July	37,428	36,981	50,566
Transfers to/(from) reserves	2,792	3,516	6,778
Restricted reserves at 30 June	**40,220**	**40,497**	**57,344**
Hedging reserves at 1 July	(1,904)	(3,493)	481
Transfers to/(from) reserves	0	0	0
Hedging reserves at 30 June	**(1,904)**	**(3,493)**	**481**
Carbon credit revaluation reserves at 1 July	1,182	815	2,229
Transfers to/(from) reserves	0	0	0
Carbon credit revaluation reserves at 30 June	**1,182**	**815**	**2,229**
Asset revaluation reserves at 1 July	661,203	585,189	715,313
Transfers to/(from) reserves	0	0	0
Asset revaluation reserves at 30 June	**661,203**	**585,189**	**715,313**



Explanation of major variances between 2023/2024 Long-term Plan (Year 3) and 2023/2024 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 higher than anticipated in year 3 of the Long-term Plan due to the proposed higher increase in rates (5.67%, +1.67% higher than the 4.00% planned) and the rating units base being larger than the assumption used when setting the Long-term Plan.

2 Subsidies and grants revenue (R&E) and Receipts from other revenue (CF) are higher than anticipated in year 3 of the Long-term Plan due to increased use of Waka Kotahi subsidies available and recognising the revenue received from external parties for the Bluff Hill - Active Recreation Hub project which is expected to commence in 2023/2024.

3 Rental revenue (R&E) and Receipts from other revenue (CF) are lower than in year 3 of the Long-term Plan due to the loss of milk income and rental revenue caused by the sale of some investment property.

4 Finance revenue (R&E) and Interest received (CF) is expected to increase with higher investment interest rates available and $31.45 million of funds loaned to Invercargill Central Limited generating additional interest revenue.

5 Employee expenses (R&E) and Payments to suppliers and employees (CF) are higher than anticipated in the Long-term Plan due to macro economic changes, including minimum wage increase impact on Council's fair wage level, higher than Long-term Plan staffing numbers and low unemployment levels resulting in higher costs to retain and attract new staff. This will enable the Council to maintain current levels of service.

6 Depreciation and amortisation costs are higher than anticipated in the Long-term Plan as a result of the 3 yearly asset revaluation of infrastructure and building assets in 2021/2022, which has increased the value of these assets above Long-term Plan expectations.

7 General expenses (R&E) and Payments to suppliers and employees (CF) are higher than anticipated in the Long-term Plan due to A) higher 2023/2024 inflation assumption of 4.2% compared to the Long-term Plan of 2.5%; B) adjustments to align with Waka Kotahi operating programme; C) Higher contract renewal expenses including Electricity.

8 Finance expenses (R&E) and Interest paid (CF) are higher than anticipated in the Long-term Plan due to higher interest rates and average borrowings balance expected during the year.

9 Proceeds from sale of investment property within the Long-term plan included the sale of investment property at Awarua. This property was sold in 2021/2022

10 Purchase of property, plant and equipment is higher than anticipated in the Long-term Plan due to movement within the existing capital programme including A) deferring City Streets Stage 2 and renewal work of Surrey Park grandstand project to 2024/2025; B) Carry forward from 2022/2023 the final stage of the Branxholme Supply main pipeline; C) removal of Civic Administration building renewal project from 2023/2024.

11 Purchase of intangible assetss are higher than anticipated in the Long-term Plan due to increased capital expenditure for the Better Enhancement Programme which will improve efficiency of the Council's software systems.

12 Purchase of investments is higher than anticipated with the remaining of the $31.45 million funds loaned to Invercargill Central Limited.

13 Proceeds from borrowings are higher than anticipated in the Long-term Plan to fund the increased capital programme and to recognise lower repayment from funds as the sale of investment property at Awarua has already occurred.

14 Cash and cash equivalents are higher than anticipated in the Long-term Plan due to 2021/2022 actual closing balance being different to the balance assumption used in the Long-term Plan.

15 Receivables (FPOS) are higher than anticipated in the Long-term Plan due to 2021/2022 actual closing balance being different to the balance assumption used in the Long-term Plan.

16 Prepayments (FPOS) are higher than anticipated in the Long-term Plan due to 2021/2022 actual closing balance being different to the balance assumption used in the Long-term Plan.

17 Other financial assets are higher than anticipated in the Long-term Plan due to the Council loan funding upto $31.45 million to Invercargill Central Limited to enable the completion of the City Block Development.

18 Property, plant and equipment are higher than anticipated in the Long-term Plan due to the 3 yearly asset revaluation increase being significantly higher than the assumption used in the Long-term Plan.

19 Intangible assets are higher than anticipated in the Long-term Plan due to increased capital expenditure for the Better Enhancement Programme which will improve efficiency of the Council's software systems.

20 Investment property are lower than anticipated in the Long-term Plan due to the reclassification of some of investment property to property, plant and equipment in 2020/2021.

21 Derivative financial instruments (FPOS) are lower than anticipated in the Long-term Plan due to 2021/2022 actual closing balance being different to the balance assumption used in the Long-term Plan.

22 Trade and other payables (FPOS) are higher than anticipated in the Long-term Plan due to 2021/2022 actual closing balance being different to the balance assumption used in the Long-term Plan.

23 Borrowings are higher than anticipated in the Long-term Plan due to increase debt used by the Council to loan fund upto $31.45 million to Invercargill Central Limited to enable the completion of the City Block Development.

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 2022, the Council holds $29.8 million reserves, with $25 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 across the year of the Annual Plan.

	Opening Balance 2023/24 ($,000)	Transfers In 2023/24 ($,000)	Transfers Out 2023/24 ($,000)	Closing Balance 2023/24 ($,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.	75	1	-	76
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	12,543	151	-	12,694
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)	12,887	344	-	13,231
NON RESTRICTED RESERVES				
Council Created Reserves To provide funding for the ongoing operations and replacement of assets in the future. (All Activities)	25,061	7,853	(1,571)	31,343
	50,566	8,349	(1,571)	57,344

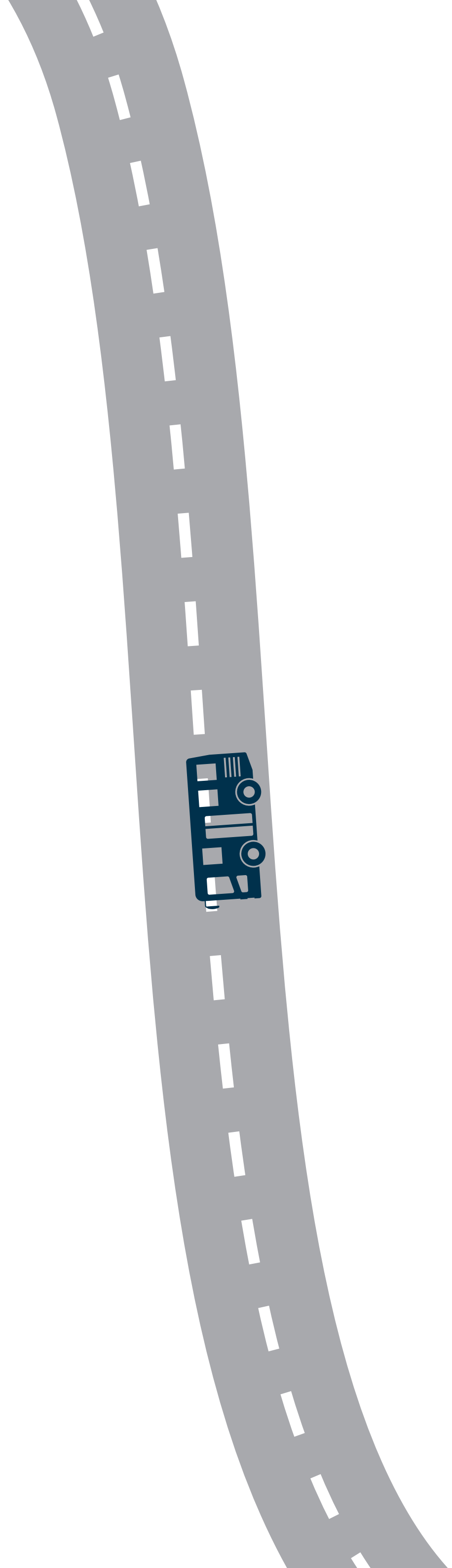
Benchmarks

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:			
Income	60%	56.5%	YES
Increases (LGCI + 3%)	7.3%	7.0%	YES
Debt affordability benchmark:	15%	11.6%	YES
Balanced budget benchmark:	100%	94.8%	NO
Essential services benchmark:	100%	89.4%	NO
Debt servicing benchmark:	10%	3.4%	YES



NOTES

1 Rates affordability benchmark

(1) For this benchmark,—
(a) the Council's planned rates income for the year is compared with quantified limits on rates contained in the financial strategy included in the Council's Long-term plan; and
(b) the Council's planned rates increases for the year are compared with quantified limits 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 —
(a) its planned rates income for the year equals or is less than each quantified limit on rates; and
(b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

2 Debt affordability benchmark

(1) For this benchmark, the Council's planned borrowing is compared with quantified limits 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.

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

These matters are:
(a) the estimated expenses 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.

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.

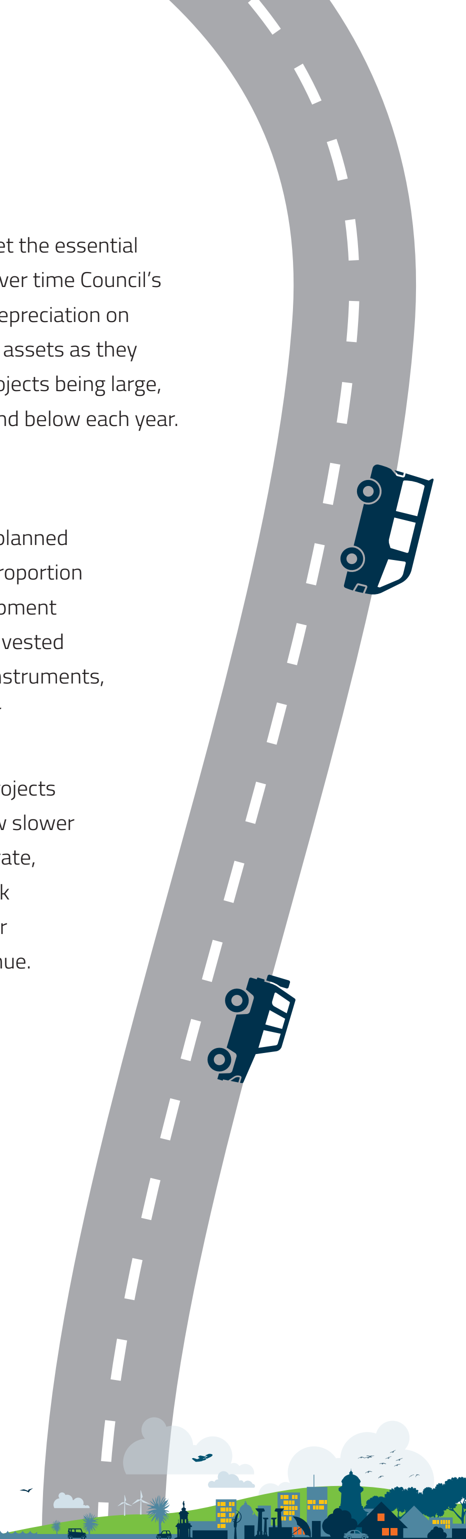
(2) The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

(3) The Council currently does not meet the essential services benchmark in 2023/2024. Over time Council's capital expenditure should equal its depreciation on network services. Council replaces its assets as they deteriorate therefore due to some projects being large, the benchmark will fluctuate above and below each year.

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 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 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")

Basis of Preparation

The financial statements of Council have been prepared in accordance with the Tier 1 PBE accounting standards.

These financial statements comply with the PBE standards.

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

The financial statements have been prepared on the going concern basis.

The financial statements 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.

Associates

The Council accounts for investments in associates in the group financial statements use the equity methods. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investments in associates is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the associates is recognised in Council's Statement of Comprehensive Revenue and Expenses at the group level. Distributions received from associates reduce the carrying amount of the investment.

The Council's share in the associate's surplus or deficit resulting from unrealised gains on transactions between Council and its associates are eliminated.

Council investments in associates are carried at cost in Council's own financial statements.

Joint Arrangements

Joint Operations

A joint operation (WasteNet) is an operation that Council has joint control. Council recognises in the Statement of Comprehensive Revenue and Expenses its share of revenue and expenses that it earns from the sale or peovision of goods or servies by the joint operation.

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 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 - subsidised

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.

Contributions from customers in relation to the construction of new lines for the network are accounted for as revenue in the year which they have been received.

(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 of the lease.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with Council's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the Statement of Comprehensive Revenue and Expenses.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

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 prior years. 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

Council classified its financial assets into the following categories: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification is determined by Council's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

Financial assets at amortised cost

These are non-derivative financial assets which are not quoted in an active market. Council classifies its financial assets as at amortised cost only if both of the following criteria are met:

1. The asset is held within a business model whose objective is to collect the contractual cash flows; and
2. The contractual terms give rise to cash flows that are solely payments of principal and interest.

The assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Any impairment losses are presented as a separate line item in the Statement of Comprehensive Revenue and Expense.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise Equity shares investments which are not held for trading, and which Council have irrevocably elected at initial recognition to recognise in this category. These are strategic investments and Council consider this classification to be more relevant. These assets are initially recognised at fair value and subsequently measured at quoted market prices (unadjusted) from the NZX Market as at 30 June each year, and changes in the value are recognised in other comprehensive income.

Amortised cost

Financial assets at amortised cost comprise short term investments, term deposits and loans to related parties. These other financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Shareholdings that Council holds for strategic purposes

Shareholdings that Council holds for strategic purposes: Council's investments in its subsidiaries and associate companies are not included in this category as they are held at cost (as allowed by PBE IPSAS 6 (PS) Consolidated and Separate Financial Statements (Public Sector) and PBE IPSAS 7 Investments in Associates) whereas this category is to be measured at fair value.

Impairment of Financial Assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Financial instruments

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by Council 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 expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenses as a grant.

Council applied the simplified approach to measuring expected credit losses which use a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the present value of estimated future cash flows discounted at the effective interest rate compared at initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

Bank overdrafts are shown separately in current liabilities in the Statement of Financial Position.

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.

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 their 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

Council designate hedges of highly probable forecast transactions as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised directly in other comprehensive revenue and expenditure.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

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. Council 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.

Hedge ineffectiveness for interest rate swaps may occur due to, the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive revenue and Expense. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Revenue and Expense. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of comprehensive Revenue and Expense.

Borrower notes

Borrower notes are subordinated convertible debt instruments that Council subscribes for an amount equal to 0.005% 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.

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	1.0%-5.0% SL
▪ Roof	1.0%-3.33% SL
▪ Electrical	1.0%-3.33% SL
▪ Plumbing	1.0%-3.33% SL
▪ Internal Fitout	1.0%-6.83% SL
▪ Plant	1.0%-6.67% SL
LIBRARY BOOKS	**DEPRECIATION RATE**
▪ Library Books	6.85%-50% SL
PLANT AND EQUIPMENT	**DEPRECIATION RATE**
▪ Plant	1.0%-80.40% SL/DV
MOTOR VEHICLES	**DEPRECIATION RATE**
▪ Motor Vehicles	21%-31% DV
FURNITURE & FITTINGS	**DEPRECIATION RATE**
▪ Furniture & Fittings	15%-33% SL/DV

COUNCIL INFRASTRUCTURAL ASSETS	
ROADS AND BRIDGES	**DEPRECIATION RATE**
Total Pavement Layers	1.0%-3.33% SL
Total Roadway Assets	1.31%-4.99% SL
Traffic Signs	4.09%-5.83% SL
Street Lights	2.0%-4.93% SL
Other Asset	1.0%-15.35% SL/DV
Formation	0%
STORMWATER SYSTEMS	**DEPRECIATION RATE**
▪ Stormwater	1.0%-4.01% SL
WASTEWATER SYSTEMS	**DEPRECIATION RATE**
▪ Wastewater	1.0%-12.15% SL
WATER	**DEPRECIATION RATE**
▪ Water	1.0%-5.56% SL
COUNCIL RESTRICTED ASSETS	**DEPRECIATION RATE**
Buildings	1%-5% SL
Monuments and Statues	2% SL/DV/NOND
Hard Surfaces and Appurtenance	0.02%-21.6% SL/DV/NOND

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 with the next valuation on the 30 June 2025.
- Restricted land (excluding forestry land) and buildings have been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the net current value by Quotable Value New Zealand (Registered Valuers) as at 30 June 1992.
- Investment land and buildings are valued annually at net realisable value. Any adjustment to the values is accounted for as an increase (decrease) in the Statement of Comprehensive Revenue and Expense.
- Library collections are valued at depreciated replacement cost as at 30 June 2022. Valuations are completed three yearly with the next valuation on the 30 June 2025.
- Forest land is revalued to fair value and carried at valuation and is not depreciated. The fair value is determined by independent registered valuers based on the highest and best use of the land. In determining the highest and best use consideration is given as to whether the land has been registered under the New Zealand Emissions Trading Scheme and hence whether there are restrictions on the land use.

- Land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the Land revaluation will occur every three years, unless circumstances require otherwise. New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

Infrastructural Assets

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

Roads and Bridges
Roads and Bridges 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. Valuation has been completed by Council staff and reviewed by IAM Consulting Ltd. The current valuation is as at 30 June 2022. Valuations are normally completed three yearly. The next valuation on 30 June 2023.

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. Valuation has been completed by Beca Ltd (independant valuer). The current valuation is as at 30 June 2022. Valuations are completed three yearly with the next valuation on 30 June 2025.

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

The vested reserve land has been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the 2005 Beca Rating Valuation.

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

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

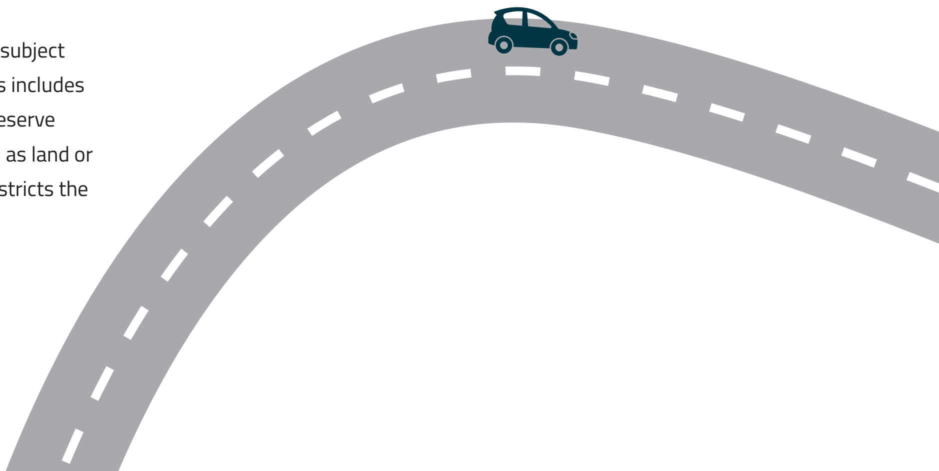
Intangible assets that are acquired by Council which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

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. 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.

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Investment land and buildings have been stated at fair value and an external, independant valuer value every year. This valuation was as at 30 June 2022 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.

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

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve.

However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Revenue and Expenses, a reversal of the impairment loss is also recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses.

Employee Benefits

Short-term benefits

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Long-term benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the surplus/deficit in the Statement of Comprehensive Revenue and Expenses in the period in which they arise.

Superannuation schemes

Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expenses as incurred.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

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.

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.

Allocation of borrowing and finance costs

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

In preparing these financial statements Council has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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.

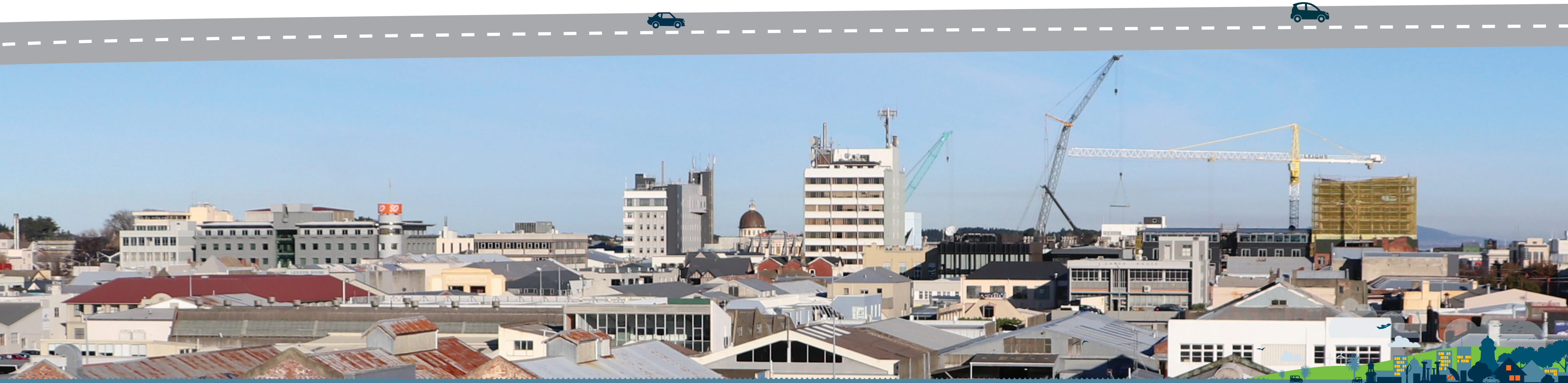
All property, plant and equipment and intangible assets (excluding goodwill) held by Council are classified as non-cash-generating assets, except for rental properties that are earning a market rental. This includes assets that generate fee revenue or other cash flows for Council as these cash flows are generally not sufficient to represent commercial return on the assets.

All property, plant and equipment held by Invercargill City Holdings Limited are classified as cash-generating assets as it is a for-profit entity and the primary objective of its assets is to generate commercial return.

Properties
Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of 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 DRC valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that are not visible; for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual deprecation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further assurance over its useful life estimates. Experienced independent valuers review Council's infrastructural asset revaluations.
- As a result of rounding there maybe slight discrepancies in subtotals and the financial statement in section 5 and funding impact statements.

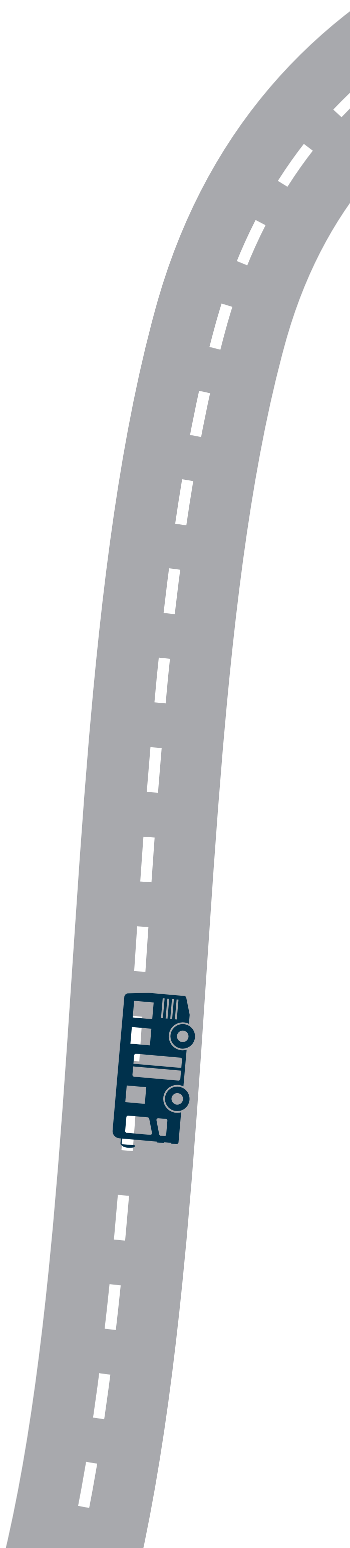


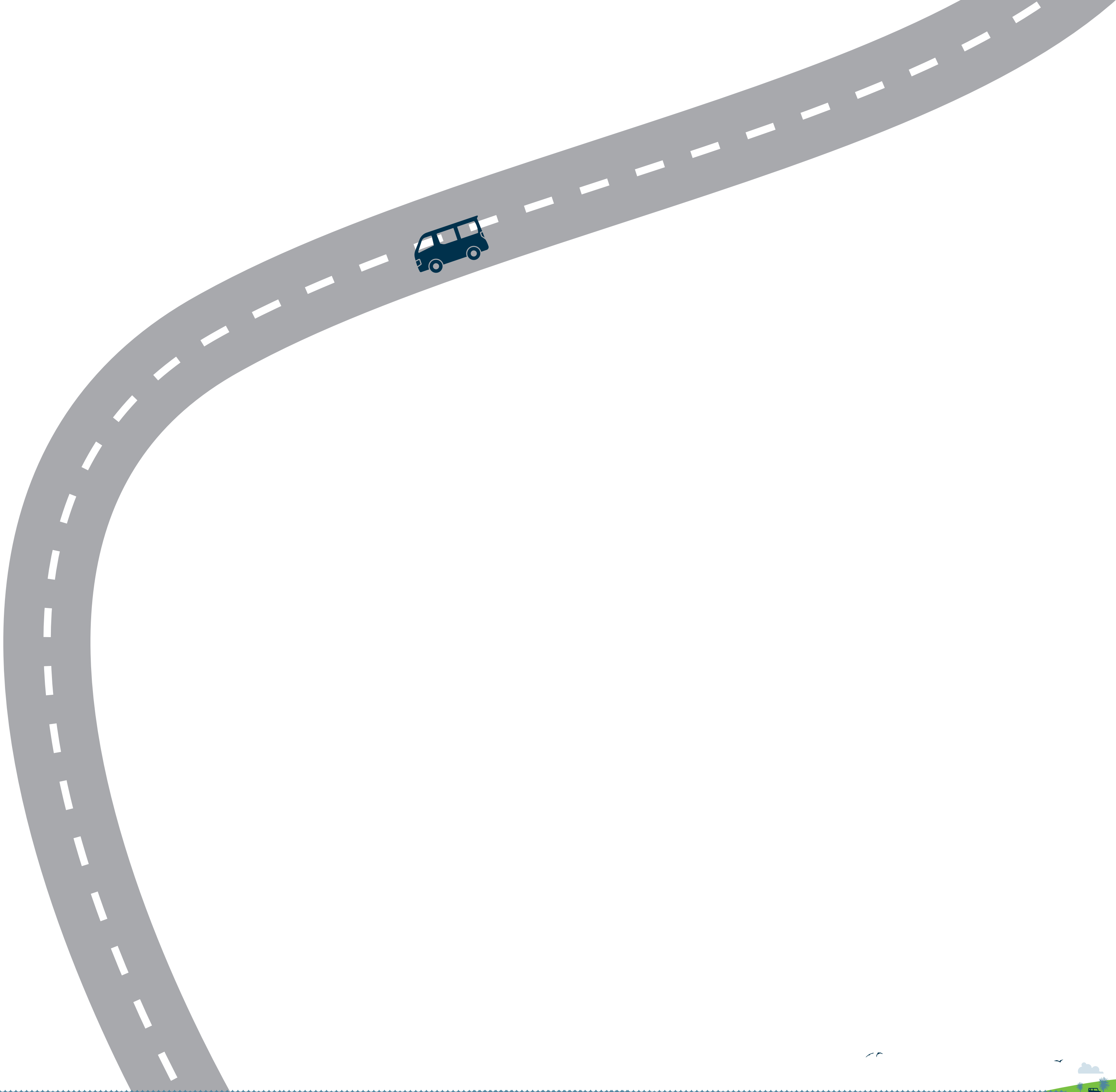
Prospective financial information

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 is for the year ended 30 June 2024. The prospective financial statements were authorised for issue by Council on 27 June 2023. 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 changes to accounting policies during the plan.





Invercargill
CITY COUNCIL

Roadmap to Renewal 2023/2024 Annual Plan