



**ROTORUA
LAKES COUNCIL**

ROTORUA LAKES COUNCIL

Financial Update – 6 months to 31 December 2022

How are we tracking year to date?

INCOME

(\$16.4m)

- Capital revenues tied to timing of projects are down \$17m
- Operating revenues are down in parking and events
- Other revenues combined are ahead of budget by \$625k but pressure remains in parking revenue and events

EXPENDITURE

(\$2.1m)

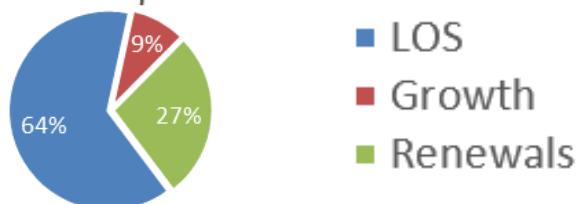
- Internal costs such as staffing continue to track under budget
- External costs are over budget due to increased demand, inflationary pressures, and responding to emergency housing, Plan Change 9 and emergency roading repairs

CAPITAL EXPENDITURE

YTD spend

(\$17m)

Actual \$45m



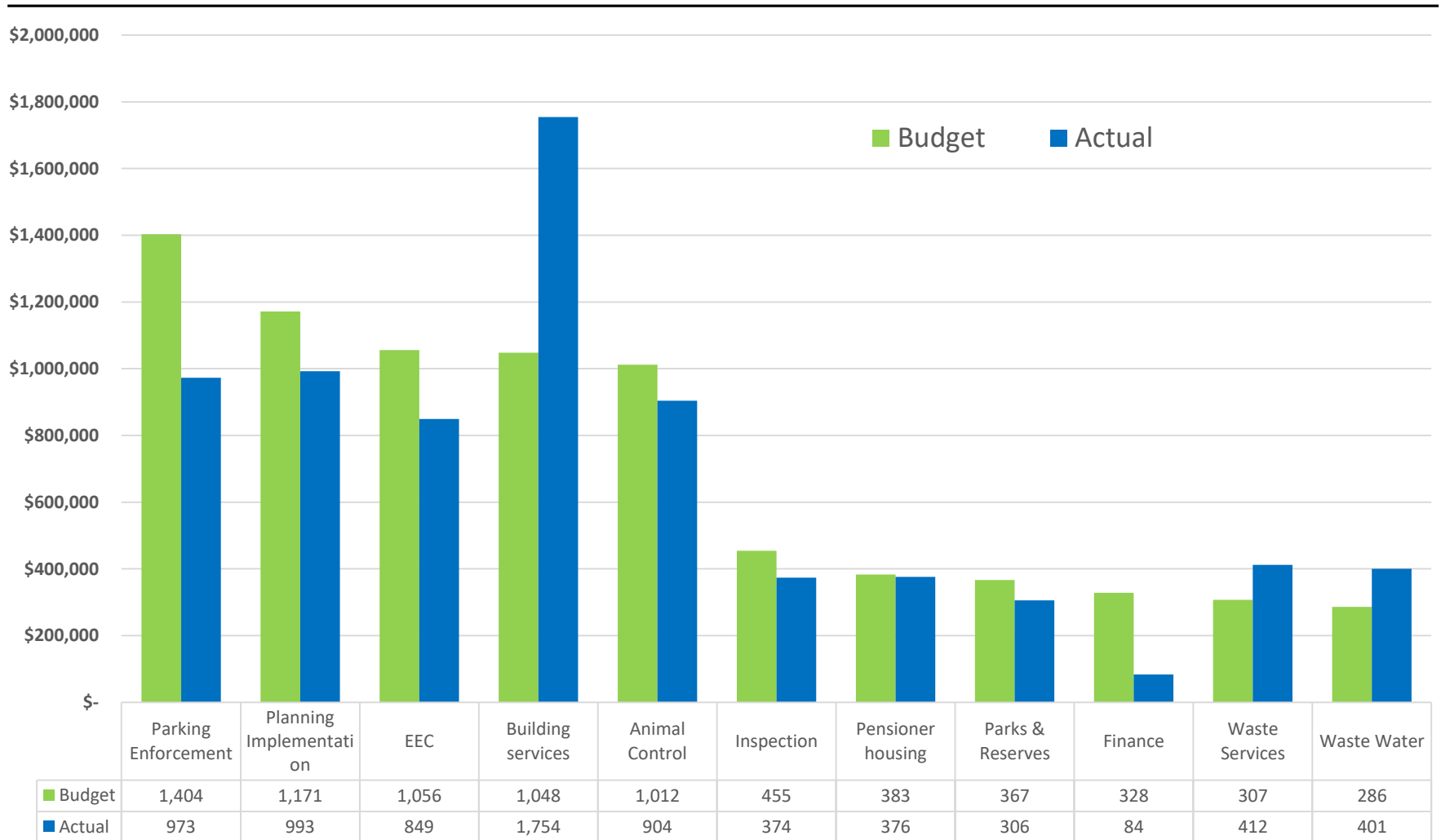
NET DEBT

\$308.5m

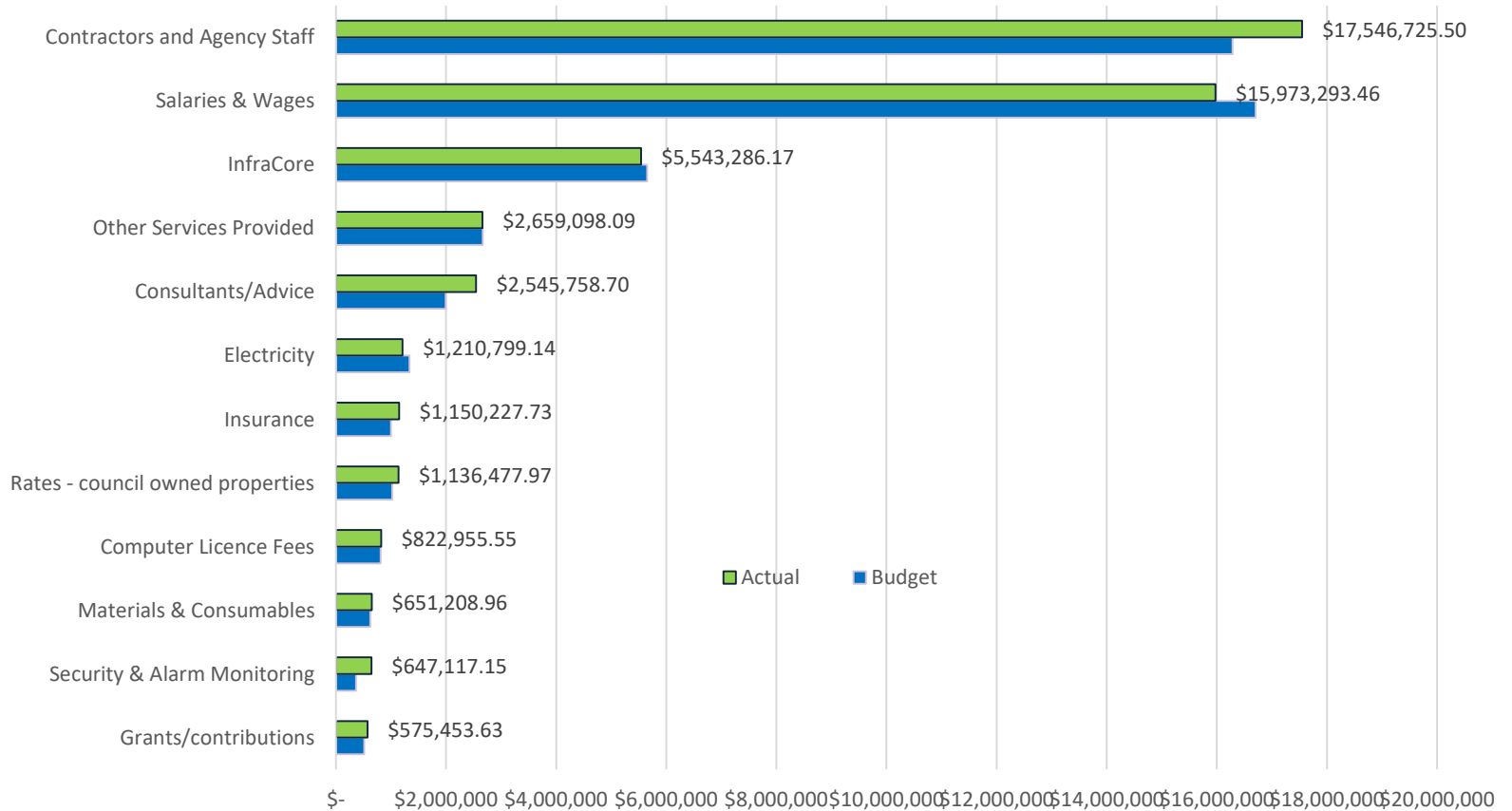
- Gross borrowing of \$326.6m, and cash on hand of \$18.1m.
- Increase in borrowings of \$28m to support the capital investment into SHMC, wastewater treatment plants and the Lakefront



December 2022 YTD Revenue



December 2022 YTD Operating Expenses



Summary of Operating Pressures

EMERGENCY HOUSING

- Costs associated with Emergency Housing were not known at the time of the current year's Annual Plan adoption and were not budgeted
- Council have invoiced MHUD \$420k for a share of costs, but residual costs of \$680k remain with Council

PLAN CHANGE 9

- Plan Change 9 was driven by changes from Central Government and was not budgeted for
- Costs associated with Plan Change 9 (housing for everyone) are \$200k year to date

INFLATION

- Several key Council service delivery contracts have inflation escalation clauses, which mean we have an obligation to inflate payments above what was budgeted in the 2022/23 Annual Plan
- Key Council contracts for sewerage, waste management and roading are \$800k over budget year-to-date due to inflation escalation clauses

WEATHER EVENTS

- Higher than normal number of severe weather events requiring emergency works on the roading network
- As well as becoming more frequent, works are becoming more expensive as contractors pass on inflationary costs to Council
- At 31 December 2022, roading operational expenditure was \$400k over budget and capital expenditure will be up to \$2m over budget



Impacts of Cyclone Gabrielle

Roading – emergency repairs and slip clearing approx. \$500,000

Buildings – Energy Events Centre roof damaged, cost to repair unknown

Nursery – Majority of the Greenhouses damaged, cost to repair unknown

Trees – significant number of trees down on roadways, reserves, Titokorangi and Whakarewarewa approx. \$150,000

Lakeside structures – damage to some jetties and walkways approx. \$150,000

Year End Forecast

Through November and December 2022, Council staff undertook a review of forecast income and expenditure which identified a potential operating deficit of \$5.6m.

Through January 2023, staff worked through a prioritisation assessment and identified cost savings of \$2.7m.

This does not take into account the impact of Cyclone Gabrielle on RLC.

	Year End Forecast Surplus / (Deficit) (\$'000)	
Community Leadership	\$1,662	● Due to unfilled vacancies and deferred expenditure Due to community safety expenditure, lower
Community Wellbeing	-\$2,327	● parking revenue, lower community facility revenue
District Development and Regulatory	-\$1,235	● Due to Plan Change 9 and Emergency Housing
Roading and Footpaths	-\$683	● Due to additional emergency roading expenditure
Sewerage and Sewage	-\$298	● Due to inflation on major contracts
Total	-\$2,880	●

Year End Forecast

Noting operating pressure relating to Emergency Housing, Plan Change 9, inflation and roading weather events and the cost-saving initiatives to date.

Council staff will continue to identify options to achieve budget targets within their financial delegations.

At times we need to move from proactive maintenance to reactive maintenance, some asset renewals may not be able to be completed, this funding could be used to offset some of the increase in operating costs.

In addition:

Staff can present cost saving options through the reduction of Council's level of service to the community in order to get closer to budget.