

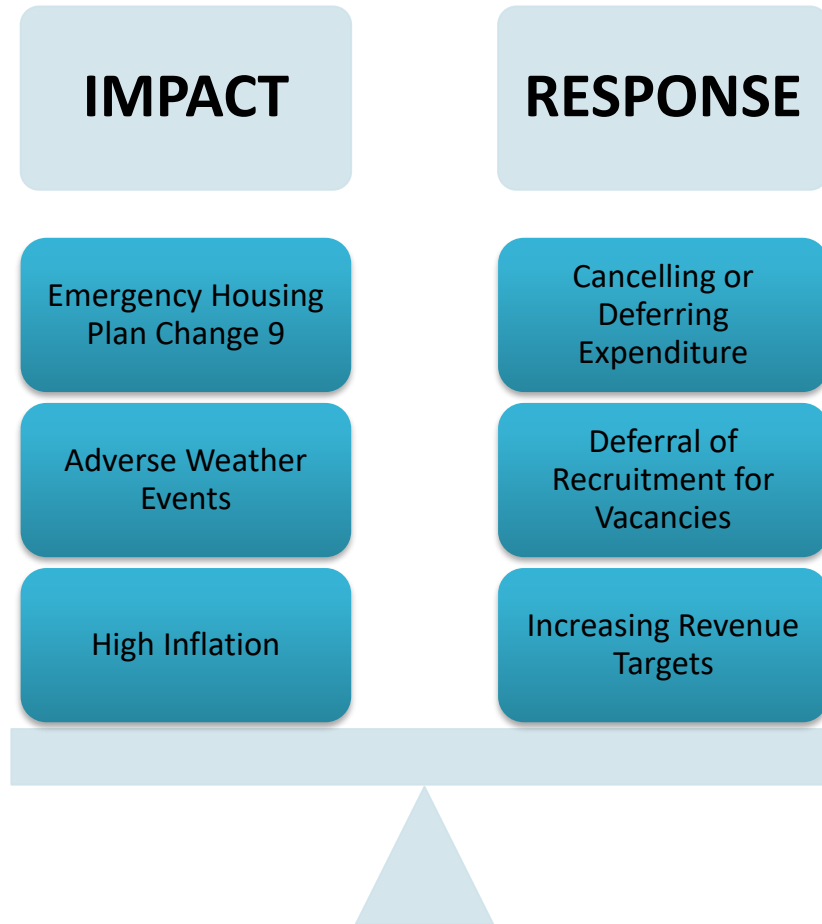


**ROTORUA
LAKES COUNCIL**

ROTORUA LAKES COUNCIL

Financial Update - February 2023

Pressures and Response



Council's Operating Environment

How are we tracking year to date?

INCOME

(\$18.9m)

- YTD Council revenue of \$109.2m vs budget of \$128.1m
- User fee revenue is lower YTD than budgeted, offset by higher rates, investment income and subsidies.

EXPENDITURE

(\$2.7m)

- YTD Council expenses of \$107.8m vs budget of \$105.1m
- Operating expenses are higher YTD than budgeted, offset by lower than budgeted staff costs, interest expense, administration and related expenses.

CAPITAL EXPENDITURE

YTD spend

(\$47.8m)

- YTD Capex of \$54.4m vs budget of \$102.2m.

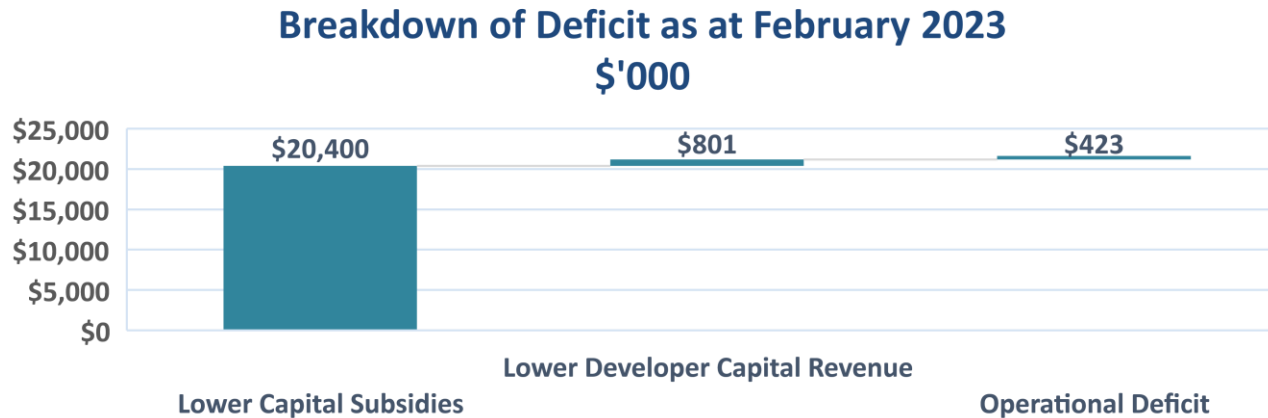
NET DEBT

\$311.9m

- Council has gross borrowing of \$326.6m, and cash on hand of \$14.7m.

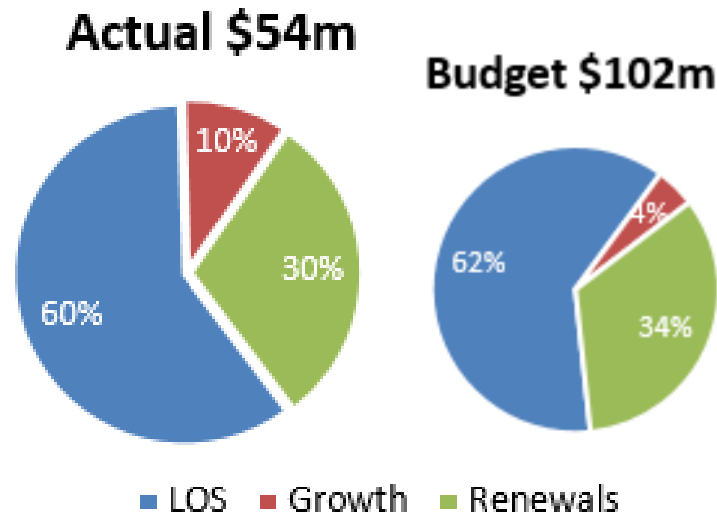


Underlying Operating Performance



- Council's financial position has continued to stabilise as cost saving initiatives have constricted expenditure across the business, and revenue has performed ahead of initial forecasts.
- Additional savings initiatives relating to the restriction of expenditure through financial delegations are underway through March 2023.
- As at February 2023, Council had an operating deficit of \$423k.

February 2023 YTD Capex



	YTD Actual	YTD Budget	Full Year Budget
Community Leadership	\$5,056,306	\$5,741,673	\$8,817,359
Community Wellbeing	\$16,676,670	\$45,835,557	\$66,433,528
District Development and Regulatory	\$59,217	\$43,125	\$1,057,500
Roading and Footpaths	\$7,782,226	\$9,744,000	\$12,992,000
Sewerage and Sewage	\$14,016,541	\$23,199,692	\$30,932,923
Stormwater and Land Drainage	\$7,324,221	\$10,665,750	\$14,221,000
Water Supplies	\$3,517,976	\$6,990,000	\$9,320,000
Total	\$54,433,158	\$102,219,797	\$143,774,309

Year End Forecast

December 2022 forecast operating deficit of \$5.6m




This was revised downwards to a forecast deficit of \$2.9m in January 2023 through a series of cost saving initiatives including the deferral of recruitment for vacant roles



February 2023 Council's financial position has continued to stabilise to \$0.8M deficit (\$0.4M behind budget) as cost saving initiatives have constricted expenditure across the business, and revenue has performed ahead of initial forecasts.

Staff continue to monitor cash flow, revenue and expenditure in order to identify cost saving opportunities. While there are some residual uncertainties, staff are committed to achieving a year-end result as close to budget as possible.

End of Year Offset Recommendation

Rate Funded		Loan Funded	Developer Funded
Operating Surplus/Deficit	Capital Renewal Projects	Capital Level of Service Projects	Capital Growth Projects
Funded directly through Rates	Funded through Depreciation (Which is Rate Funded)	Funded through external borrowing or external grants	Funded through Developer Contributions
\$423k Operational Deficit YTD	\$18.1m Behind Budget YTD	\$30.6m Behind Budget YTD	\$873k Ahead of Budget YTD
 <p>Can be offset without borrowing to fund operational deficits</p>			

- The report recommends that staff continue to work to identify options for cost-savings

AND

- That any residual operational deficit will be offset against underspends in capital renewals and not be funded through borrowings

Questions?