



**ROTORUA
LAKES COUNCIL**
Te Kaunihera o ngā Roto o Rotorua

Kaupapataka Late Items

NOTICE OF A MEETING OF COUNCIL

Date: Wednesday 21 October 2026

Time: 9:30 am

Venue: Council Chamber

MEMBERSHIP

Chair

Mayor Tapsell

Members

Deputy Mayor Kai Fong (Deputy Chair)

Cr Barker

Cr Brown

Cr Lee

Cr Wang

Cr Maxwell

Cr Paterson

Cr Raukawa-Tait

Cr Sandford

Cr Temara-Benfell

Quorum

6

**Andrew Moraes
Chief Executive**

Order of Business

10 **Pūrongo Kaimahi – Staff Reports** 81

 10.7 Financial Update to 31 August 2026 and Fuel Budget Decision 81

10 PŪRONGO KAIMAHI – STAFF REPORTS**10.7 FINANCIAL UPDATE TO 31 AUGUST 2026 AND FUEL BUDGET DECISION**

Prepared by: Michelle Overbeek, Chief Financial Officer (Secondment)

Approved by: Andrew Moraes, Chief Executive

Attachments: Nil

**1. TE PŪTAKE
PURPOSE**

The purpose of this report is to provide Council with an update on the organisation's financial performance for the period ended 31 August 2026 and to seek direction regarding the forecast fuel budget overspend for the 2026/27 financial year.

Council is forecast to exceed its fuel budget due to sustained higher fuel prices. This report outlines the financial implications of the forecast overspend, the operational impacts of reducing fuel consumption, and seeks Council's decision on whether to:

- provide additional budget to maintain current levels of service; or
- direct management to implement service reductions and operational changes necessary to remain within the approved budget

**2. TE TUHINGA WHAKARĀPOPOTOTANGA
EXECUTIVE SUMMARY**

Council has commenced the 2026/27 financial year in a positive position, reporting a year-to-date surplus of \$491k as at 31 August 2026. Excluding capital revenue timing, the underlying operating position is \$2.05 million ahead of budget. Revenue is tracking favourably, supported by grant funding, while expenditure is slightly below budget due to the timing of programme delivery and contract commencement. Capital expenditure is also below budget, reflecting the timing of several projects, including the Stormwater Programme, which is now progressing into delivery. Reforecasting is underway to align budgets with updated delivery schedules.

Separate to Council's overall financial position, sustained increases in fuel prices have created a forecast budget pressure of approximately \$340k for 2026/27. This pressure is driven by external market conditions and is largely outside Council's control. While opportunities to reduce fuel consumption have been explored, initial analysis indicates that achieving material savings would require reductions in service levels and operational activities.

Accordingly, this report seeks Council's direction on whether to provide additional budget to maintain current levels of service or accept the service impacts associated with reducing fuel expenditure.

**HE TŪTOHUNGA
RECOMMENDATION**

1. That the report 'Financial Update to 31 August 2026 and Fuel Budget Decision' be received.
2. That the Council notes the impacts on higher fuel prices on the Council budget and;
 - (a) Directs the Chief Executive to make the level of services changes required to stay within budget;
 - OR
 - (b) That the Council authorises \$340,000 of un-budgeted expenditure for fuel consumption to maintain to current levels of service.

**3. TE TĀHUHU
BACKGROUND****Financial Update**

Council has commenced the 2026/27 financial year in a positive position, reporting an operating surplus compared with budget for the period ended 31 August 2026. This result is supported by stronger than anticipated fees and charges revenue, together with favourable expenditure variances across several activity areas. As the financial year is still in its early stages, these variances are expected to reduce as work programmes are finalised and delivery progresses across the organisation.

A few key operational changes have also occurred during this period, including the introduction of the new parking arrangements and the separation of Three Waters activities within Council's ERP system. These changes support Council's ongoing operational and regulatory requirements

Fuel Budget Pressure

When Council adopted the 2026/27 Annual Plan in April 2026, fuel prices were assumed to remain broadly consistent with market conditions at that time. Since then, ongoing international events and market uncertainty have contributed to sustained elevated fuel prices, resulting in a significant cost pressure that was not anticipated during budget development.

Current forecasts indicate fuel expenditure is likely to exceed budget during the 2026/27 financial year unless corrective action is taken. As fuel is a critical input across many Council operations, opportunities to reduce expenditure are closely linked to reductions in operational activities and service delivery. The options presented in this report seek to balance the financial impact of these externally driven cost increases against the potential implications for service levels, enabling Council to determine its preferred approach.

4. TE MATAPAKI ME NGĀ KŌWHIRINGA DISCUSSION AND OPTIONS

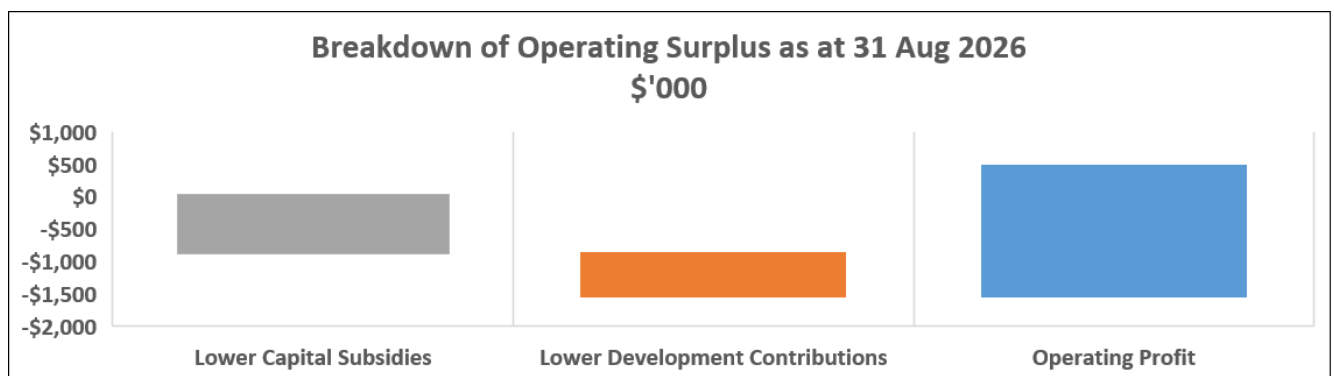
Financial Position as at 31 August 2026

As noted above, Council has commenced the 2026/27 financial year in a positive financial position. As at 31 August 2026, Council is reporting a year-to-date surplus of \$491k against budget. Excluding the impact of capital revenue timing, the underlying operating position is approximately \$2.05 million favourable to budget, reflecting stronger than anticipated operational performance during the first two months of the financial year.

The favourable position is largely driven by operational revenue tracking ahead of budget, supported by grant funding for parks enhancement projects, together with expenditure currently below budget due to the timing of programme delivery and contract commencement. These timing-related variances are expected to reduce as delivery activity increases throughout the year.

Capital expenditure and associated capital revenue are also below budget, primarily reflecting the timing of several significant projects that remain in planning or mobilisation phases. The most significant variance relates to the Stormwater Programme, which is now progressing following recent approvals. Reforecasting is underway across the organisation to align budgets with updated delivery schedules and project milestones.

The overall financial position remains favourable at this early stage of the financial year. Further detail on operational revenue, operational expenditure, capital revenue and capital expenditure performance is provided in the sections below.



Year to Date Financial Performance

Figures in \$000's	Year To Date		
	Actual	Budget	Variance - Favorable / (Unfavorable)
Income			
Fees & Charges	3,726	3,616	110
Rates	42,808	42,756	52
Investment Income	227	124	103
Development & Financial Contributions	299	1,009	(710)
Subsidies & Grants - Capital	1,772	2,624	(853)
Subsidies & Grants - Operational	1,422	946	476
Total Income	50,253	51,075	(822)
Opex			
Administration Expense	884	934	50
Finance Cost	20	167	147
Maintenance	198	493	295
Operating Expenses	10,536	11,125	589
Staff Costs	8,943	8,814	(129)
Utilities	527	715	188
Depreciation	7,937	7,999	62
Interest Cost	3,531	3,641	110
Total Opex	32,575	33,888	1,313
Total Operating Surplus / (Deficit)	17,678	17,187	491

Income

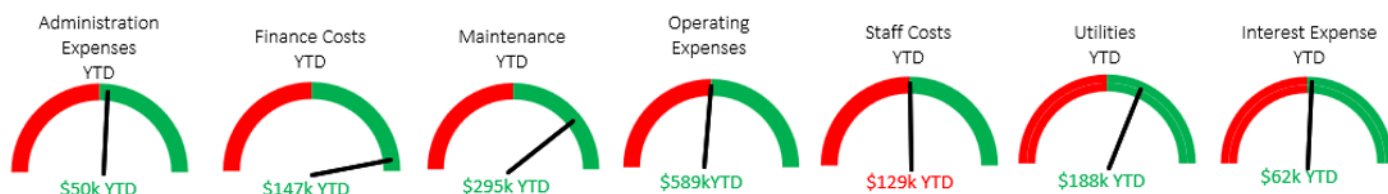


Total Income is tracking unfavourably to budget, with a \$822k negative variance to budget. This is primarily driven by the Capital Grants and Subsidies.

- Fees and charges are direct charges to customers for specific Council services. Council's core fees and charges are \$110k above budget for the year, driven primarily by revenue earned for building consents and higher than expected trade waste income.
- Rate revenue is the primary source of funding for Council services and activities. Rate revenue is slightly higher than budget by \$52k which is largely driven by higher penalty revenue.
- Investment income is revenue received by Council through dividends, and interest received on term deposits. Investment Income is currently \$110k ahead of budget due to Council placing funds on term deposit at a rate more favourable than the debt servicing.
- Operating Subsidies and Grants represent funding received from external organisations to support the delivery of Council activities. Grants are \$476k positive when compared to budget, this is largely driven by unplanned funding received towards Parks & Reserves initiatives.

- Financial and Development Contributions is revenue paid by developers towards the capital costs required to enable their development. Financial and Development Contributions are \$710k behind budget for the year.
- Capital Subsidies and Grants are funds provided by external parties towards Council's capital projects. Capital Subsidies and Grants are \$853k behind budget for the year, primarily due to the timing of claims for completed roading and other capital projects. The funding is expected to be received later in the year as claims are submitted and processed.

Operating Expenses

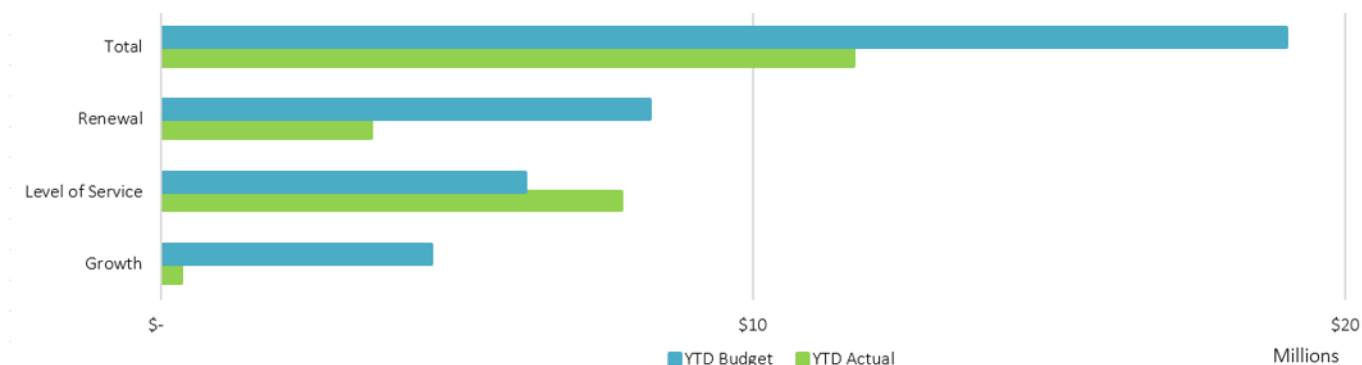


Operating Expenses are tracking positive to budget, with a \$1.3m variance to budget.

- Administration Expenses cover the day-to-day running expenses of Council. Administration expenses are \$50k favourable to budget year to date, primarily due to savings across several expenditure categories, including stationery and software licence costs.
- Finance Costs are the fees payable on banking facilities and debt management. Finance Costs are \$147k positive compared with budget for the year, largely driven by savings in debt collection costs.
- Maintenance expenses are the budget provided for planned and reactive maintenance of Council buildings. Maintenance expenses are \$295k favourable to budget year to date, reflecting the timing of planned maintenance activities as new maintenance schedules are finalised, along with lower-than-expected reactive maintenance costs.
- Operating expenses, which relate to the delivery of Council's day-to-day services. Operating expenses are \$589k favourable to budget year to date. This is primarily due to contractor costs being below budget, reflecting lower-than-anticipated work volumes and delays in commencing new contracts while contract terms and variations are finalised. This favourable variance is partially offset by fuel costs, which are tracking above budget and are being closely monitored.
- Staff costs cover the salaries and wages of Council employees. Staff Costs are \$129k over budget for the year. This is largely driven by lower capitalisation of staff time to capital programs, and recruitment fees being higher than planned.
- Utilities cover the water, power and gas expenses involved in Council operations. Utilities revenue is \$188k ahead of budget year to date, primarily due to the timing of water-by-meter billing. This timing variance is expected to reduce as billing cycles progress throughout the year.
- Interest Expense is the external interest payable to Council's lenders. Interest expense is currently \$62k positive compared with budget, and Council's net borrowings are lower than planned.

Capital Expenses

As at 31 August 2026, Council had spent \$11.7m (10%) against the full year budget of \$116m.



Council continues to deliver a significant capital programme across the Museum, wastewater, stormwater, water supply, roading and network renewal activities.

Several of Council's largest projects are now reaching the final stages of delivery and are either in practical completion, undergoing commissioning, or being transitioned into operational use.

As projects progress through these final phases, Council's focus remains on managing completion dates, contract variations, remaining contingencies, external funding requirements and the impact of project timing on debt and capital expenditure forecasts.

Staff are developing a defined list of key capital projects for regular reporting. An update, including project status, key milestones and updated capital expenditure, will be presented to Council in the next quarter.

Fuel Cost Pressures and Service Delivery Implications

Since Council adopted the 2026/27 Annual Plan in April 2026, fuel prices have remained significantly higher than forecast. Ongoing international market uncertainty and geopolitical tensions have contributed to a prolonged period of elevated fuel costs, creating a budget pressure that was not anticipated when budgets were prepared.

Based on current forecasts, fuel expenditure is expected to exceed budget by approximately \$340,000 for the 2026/27 financial year. This increase is driven primarily by market fuel price inflation rather than increased operational demand or service expansion.

To understand the options available to Council, business units were asked to identify opportunities to reduce fuel consumption by up to 25%, together with the associated impacts on service delivery. The assessment highlighted that fuel consumption is concentrated within frontline operational activities, with Parks and Recreation and Three Waters accounting for approximately 75% of Council's total fuel usage.

For **Parks and Recreation**, proposed fuel reduction measures include reducing mowing frequencies, ceasing scheduled maintenance of non-CBD gardens, and reducing rural janitorial servicing. Priority reserves and sportsfields would continue to be maintained; however, community presentation standards would decline, customer complaints are likely to increase, and deferred maintenance may result in higher recovery costs when normal service levels are restored. Furthermore, there is no certainty that the forecast savings would fully offset the budget pressure should fuel prices continue to increase.

For **Three Waters**, opportunities to reduce fuel consumption are more limited due to the essential and reactive nature of the service. Management estimates that only around 15% of the targeted savings could be achieved through reducing routine inspections and flushing programmes, greater utilisation of SCADA monitoring, and combining site visits where practical. Further reductions are not recommended as they would increase risks relating to drinking water safety, regulatory compliance, asset failures, wastewater overflows, and stormwater response capability.

Other business units have identified smaller fuel-saving opportunities where practical. However, these opportunities are not material when compared with Parks and Recreation and Three Waters due to their significantly lower levels of fuel consumption. In addition, reductions to regulatory activities such as animal control, building inspections and enforcement functions are not recommended, as they would likely result in a loss of fee revenue that exceeds any fuel savings achieved.

The analysis demonstrates that a significant proportion of Council's fuel consumption supports essential frontline and regulatory services. While efficiency opportunities will continue to be pursued, achieving savings of the scale required to remain within budget would require a reduction in service levels and an increased operational risk profile. Council must therefore determine whether it wishes to accept those service impacts or provide additional funding to maintain existing levels of service during a period of sustained fuel price volatility.

5. TE TINO AROMATAWAI ASSESSMENT OF SIGNIFICANCE

The decisions or matters of this report are not considered significant in accordance with Council's Significance and Engagement Policy.

6. NGĀ KŌRERA O TE HAPORI ME TE WHAKATAIRANGA COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

There are no community input/engagement and publicity issues associated with this report.

7. HE WHAIWHAKAARO CONSIDERATIONS

7.1. Mahere Pūtea Financial/Budget Considerations

Due to sustained higher fuel prices, fuel expenditure is forecast to exceed budget unless either service levels are reduced or additional funding is provided. Council is asked to consider the trade-offs associated with the identified fuel-saving initiatives and determine whether it wishes to accept the associated level of service impacts or approve an increase to the fuel budget to maintain current service levels.

7.2. Kaupapa Here Me Ngā Hiraunga Whakariterite Policy and Planning Implications

There are no policy or planning considerations associated with this report.

**7.3. Te Aromatawai Whakapātanga Ki Te Tāngata Whenua
Tāngata Whenua Impact Assessment**

There are no Tāngata Whenua considerations associated with this report.

**7.4. Tūraru
Risks**

This report is presented in accordance with the Delegated Financial Authority Policy to provide oversight of Council's financial performance. The report does not create any additional organisational risk. The financial variance reported is within normal budget tolerances, representing approximately 0.01% of Council's overall budget.

**7.5. Te Whaimana
Authority**

This report is presented to Council in accordance with the Delegated Financial Authority policy.