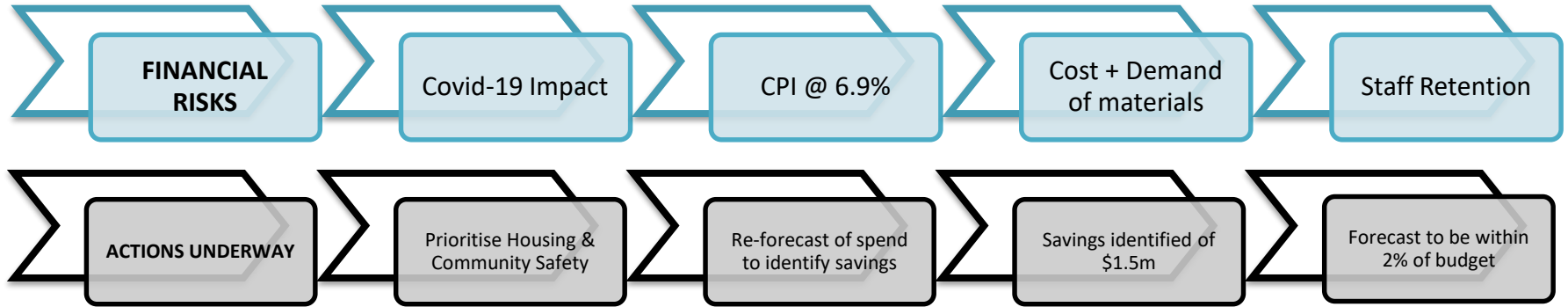


Rotorua Lakes Council Operating & Monitoring Committee

A person is riding a mountain bike on a dirt trail, viewed from behind. The sun is low on the horizon, creating a bright, hazy sky with some clouds. The landscape is a mix of green vegetation and brown earth. The overall scene is a scenic outdoor setting.

Financial Performance
April 2022

Summary YTD Operational Result



YTD Operational Result

Surplus of \$7.6m

Capital subsidies lagging behind budget due to timing of key capital projects

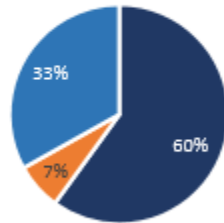
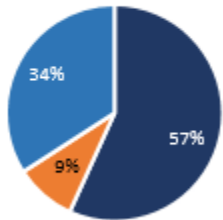
Operating revenues continue to be impacted in Parking and Events

**Operating expenditure continues to be under pressure to support housing,
community safety and inflation**

Capex 2021/2022 YTD (\$m)

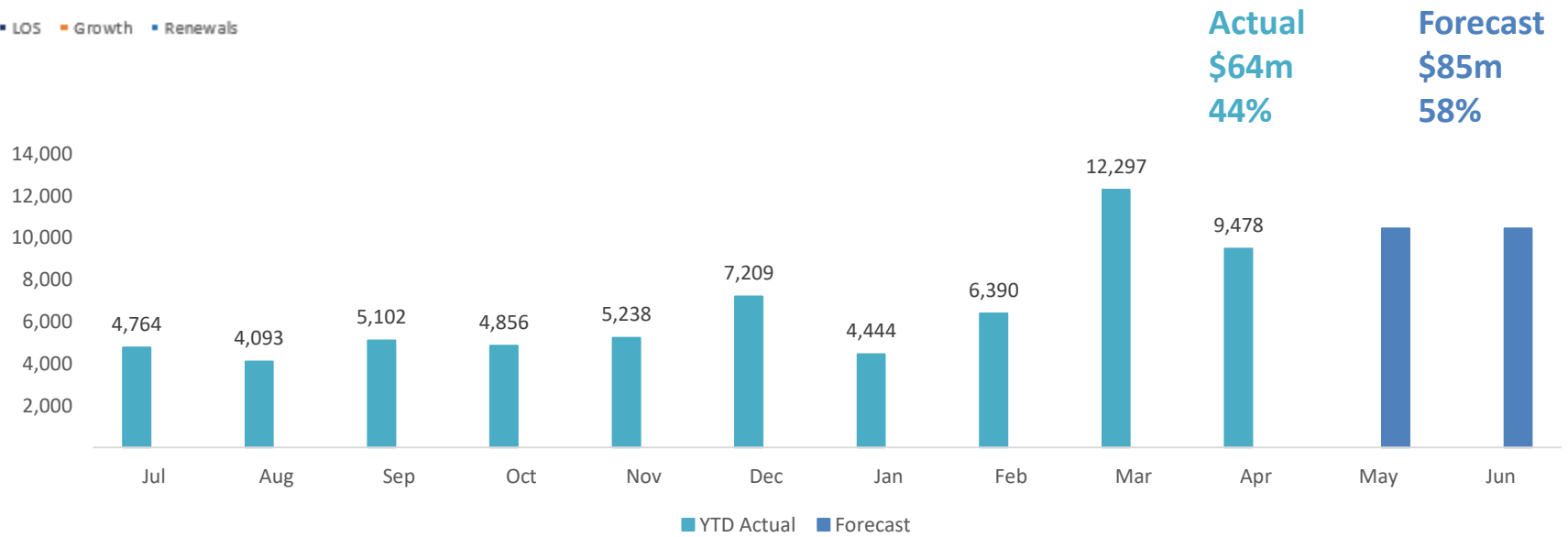
Actual:
\$64m

Budget:
\$83m



■ LOS ■ Growth ■ Renewals

- Capital delivery programme is forecast to \$85m approx. 60% of total budget
- Delays are largely driven by timing of key projects, constraints on materials and covid-19 lockdown.
- Approximately \$56m of projects will move into next financial year for delivery.



Capital works program

Starting to see the impacts of inflation and logistic challenges

Projects in procurement phase are seeing low tender participation and higher cost

Projects underway are experiencing Covid impacts on staffing and logistic delays for certain materials

These pressures are not unique to Councils

Whare Waka (part of lakefront project)

Tender response was 290% of approved budget



Challenge:

- Lack of contractor participation
- Contractor that responded is known to participate at premium end of the market
- Small commercial project that may be more suited

Actions:

- Opportunity to value engineer the design to remove cost
- Direct negotiation with local residential building companies as building size may be more suited
- If cost cannot be reduced, this part of the Lakefront project will go on hold till a later date when market conditions are more favourable

Performing Arts Centre

\$24m spent against budget of \$35m

Covid delays & extension of time claims
Cost escalation on materials and labour

Could impact overall budget by 5%

Actions:

- Work underway to mitigate impact
- No decision required at this stage

Tarawera Sewerage Scheme

Budget of \$22.5m

Detailed design completed
Tender evaluation under way indicating
a cost escalation for onsite portion

Actions:

- Targeting a staged approach
- Looking at alternative procurement for onsite installations to reduce risk and pricing
- Decision coming to Council at next SP&F

How are we responding

Reviewing procurement process

Direct negotiation

Value engineer project

Reduce scope

Deferring project

Or where appropriate:

Accepting time and cost impacts

Same pressures and actions the rest of NZ is facing

Treasury Summary – April 2022

DEBT

Total Debt - **\$277.5m**

Liquidity Ratio (>110%) – **115%**

**Reduction in Liquidity Ratio due to call account cash utilized*

Weighted average capital cost – **2.96%**

CASH

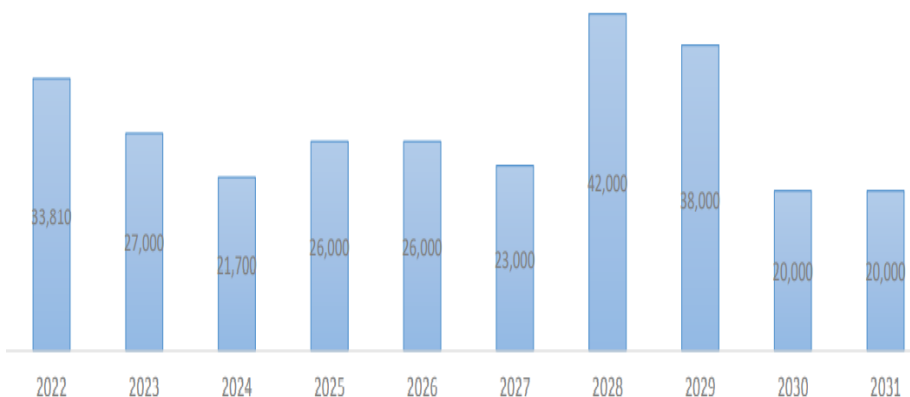
Call account balance - **\$0m**

Term deposit balance - **\$2m @ 2%**

Cash on hand - **\$3.5m**

BNZ Facility Drawn - **\$0**

DEBT MATURITY - CY



SUMMARY:

- Rising interest rates were forecast in our 2021 LTP
- OCR is increasing to combat inflation, and further increases are expected
- Interest rates are rising faster than anticipated
- Most banks have already priced in the expected increases via their credit margins
- 82% of our borrowings are fixed in a range of maturity from 1 to 10 years

End of Year Forecast

Operating result to be within 2% of budget (ex Capital subsidies)

Capital expenditure underspent by approx \$56m due to timing and material constraints

No debt to be used to fund operating expenditure