Rotorua Lakes Council

Operations & Management Committee

September Results 2020

RLC – Summary Operational Result

Operational Performance

	Rates	Fees	Subs /Grants	Other	Income Total	Operating Costs	Staff	Utilities	Depreciation	Other	Total Costs	Net Surplus/ (Deficit)
Actual	26,040	3,662	1,866	157	31,725	13,156	6,823	1,105	8,097	2,811	31,992	(267)
Budget	25,657	3,746	1,257	166	30,826	12,568	6,881	1,130	8,028	2,763	31,370	(544)
Better / (Worse)	**383**	**(83)**	**608**	**(8)**	**899**	**(588)**	**58**	**24**	**(69)**	**(48)**	**(622)**	**277**

RLC – Net Activity Performance

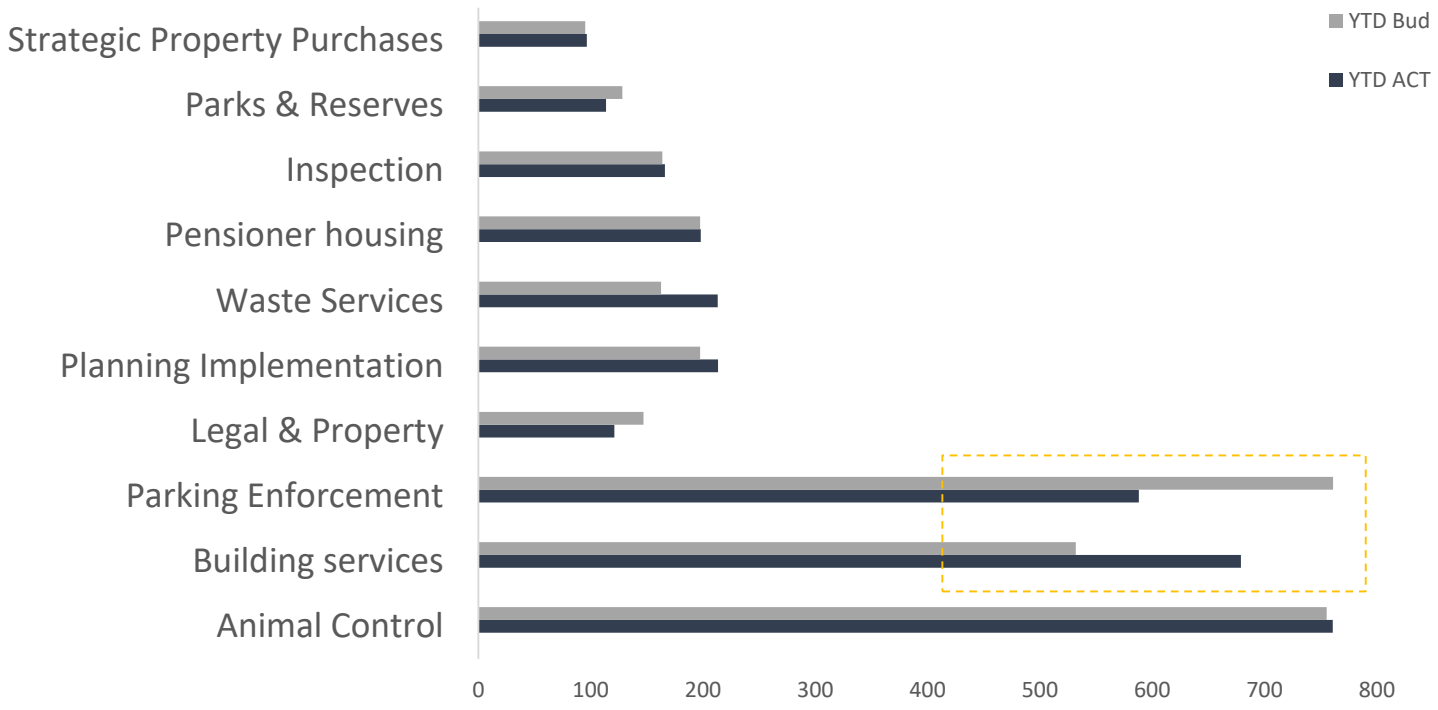
Activity Net Performance

Activity	YTD Variance
Sports, Recreation and Environment	88
Roading and Footpaths	24
Arts & Culture	67
Stormwater and Land Drainage	51
Planning and Regulatory	(255)
Waste Management	65
Water Supplies	16
Sewerage & Sewage	(57)
Community Leadership	280
Total Activities	**277**

Planning and Regulatory – Parking; Consultant support for locality and asset management planning
Sewage and Sewerage – Depreciation (revaluation impact)

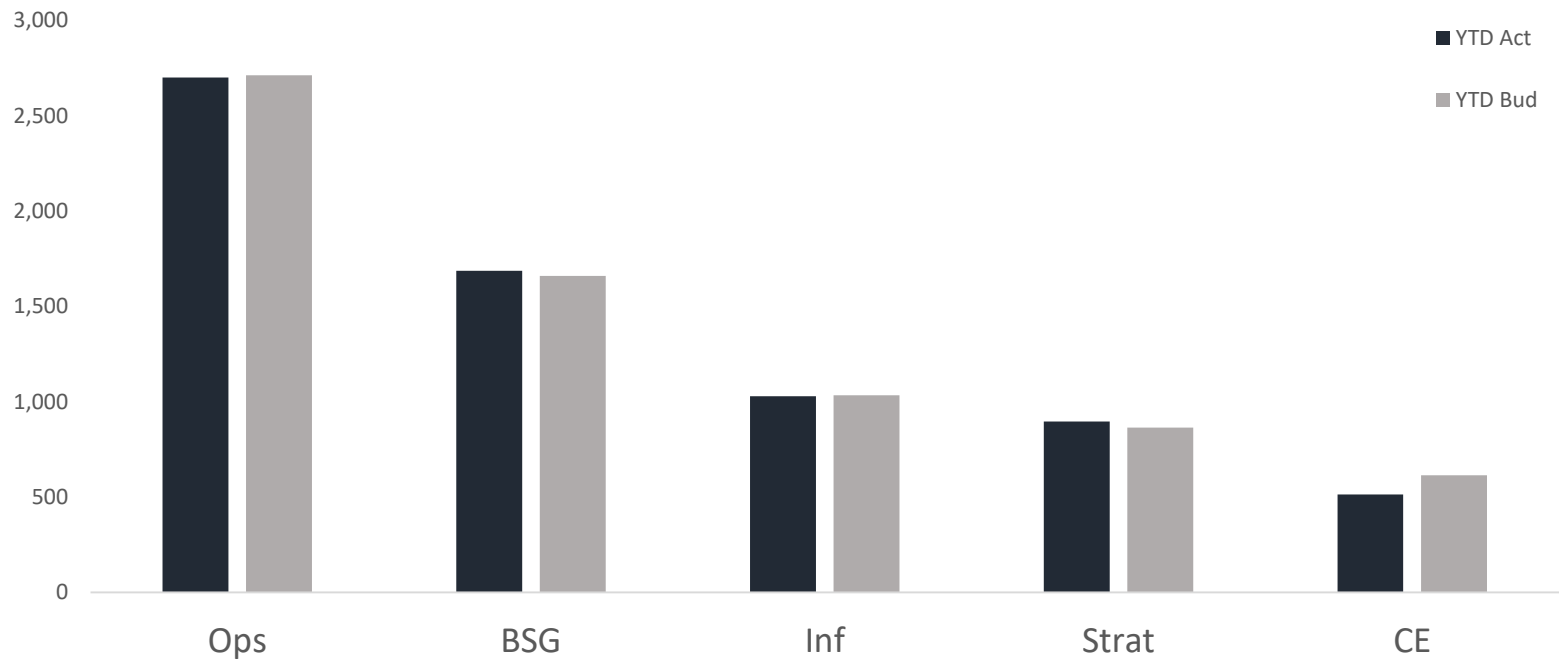
RLC – Fees & Charges Summary

Fees and Charges v Budget



RLC – Staff Costs Summary

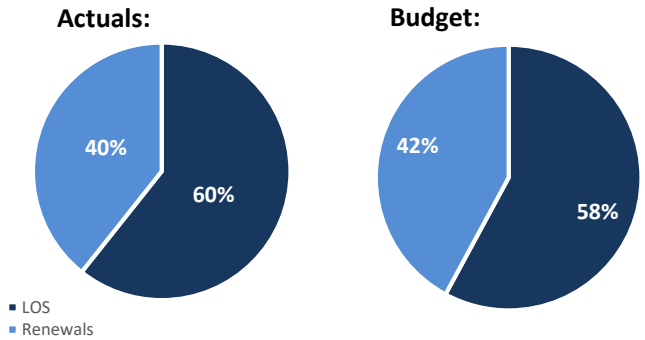
Group Staff Costs



RLC – Capex 2020/2021 YTD ($m)

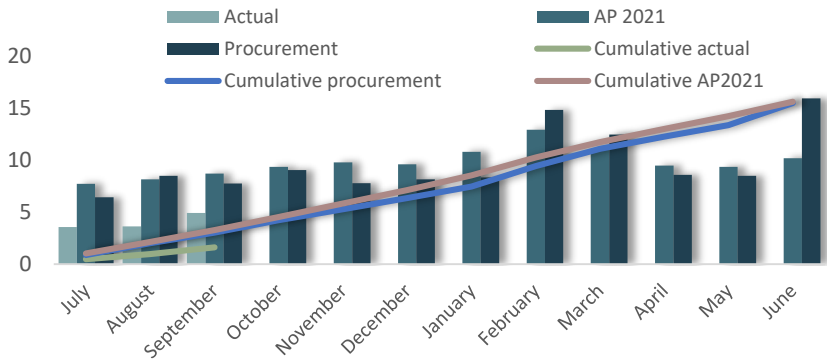
What we did vs planned?

$4.8m of renewals vs a budget of $5.6m (~$900k down in Sewage)
$7.2m of LOS vs $7.7m difference largely due to Stormwater



Timing of Capex Spend?

Large discrepancy in spend planned driven by cashflow provided by external PM driving need for greater challenge to numbers



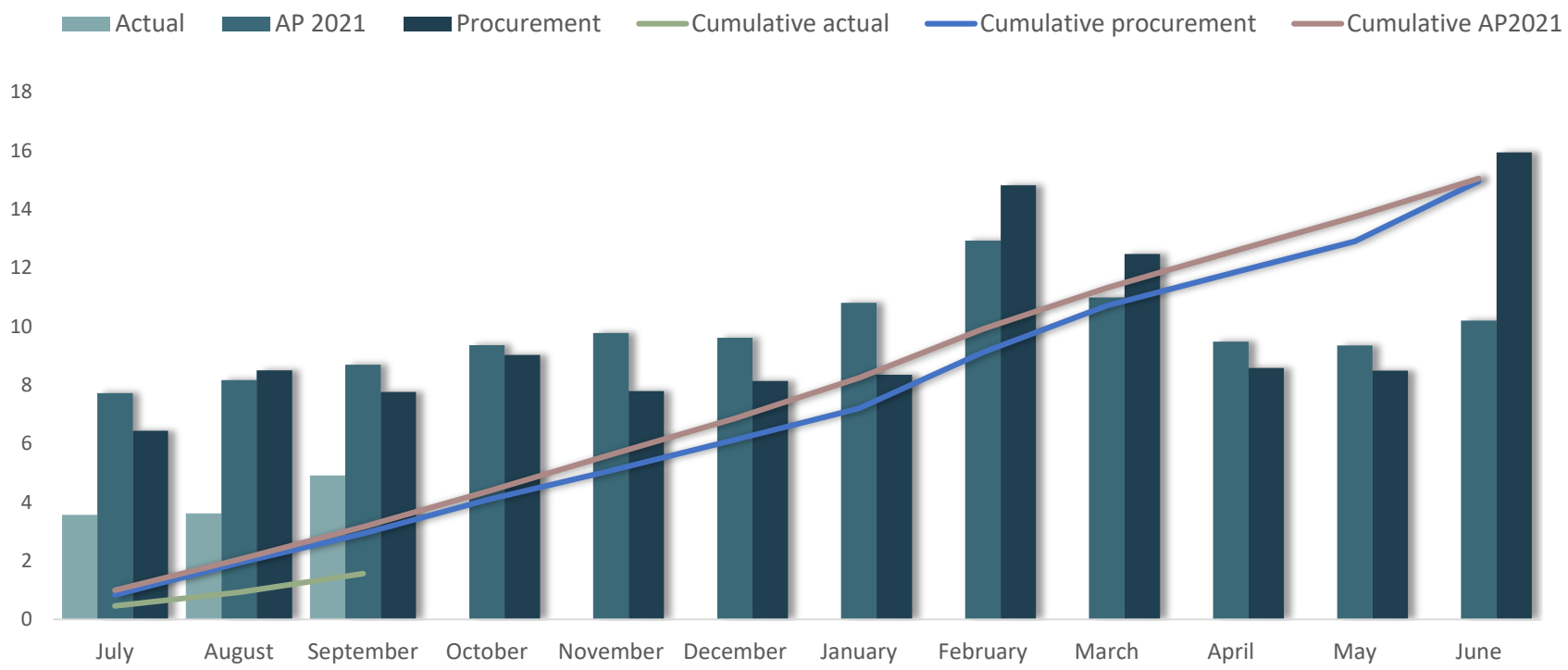
Capital Expenditure by Activity & Top 10 under spend by Project

Activity Category	YTD Actual	YTD Budget
Sports, Recreation & Environment	5.5	5.5
Sewerage & Sewage	2.1	3.2
Arts & Culture	1.6	1.6
Community Leadership	1.0	1.1
Stormwater & Land Drainage	0.7	0.8
Water Supplies	0.6	0.7
Roading & Footpaths	0.6	0.7
District Development	0.1	0.1
(Intentionally blank)	0.0	0.0
(Intentionally blank)	0.0	0.0
Total YTD	**12.1**	**13.7**

Capex Project	Underspend
Sewage renewal	-0.9
Rotoiti/Rotoma sewage	-0.4
District Water Supply Expansion	-0.3
Stormwater Improvements	-0.2
Cyways Enhancements	-0.2
Transport (Sub) Improvements	-0.1
Devolved Funding	0.0
Core software & hardware	0.0
Transport (Sub) Renewal	0.0
Water Supply Improvements	0.0
Total top 10 Underspend vs YTD Bud	**-2.3**

RLC – Capital Summary

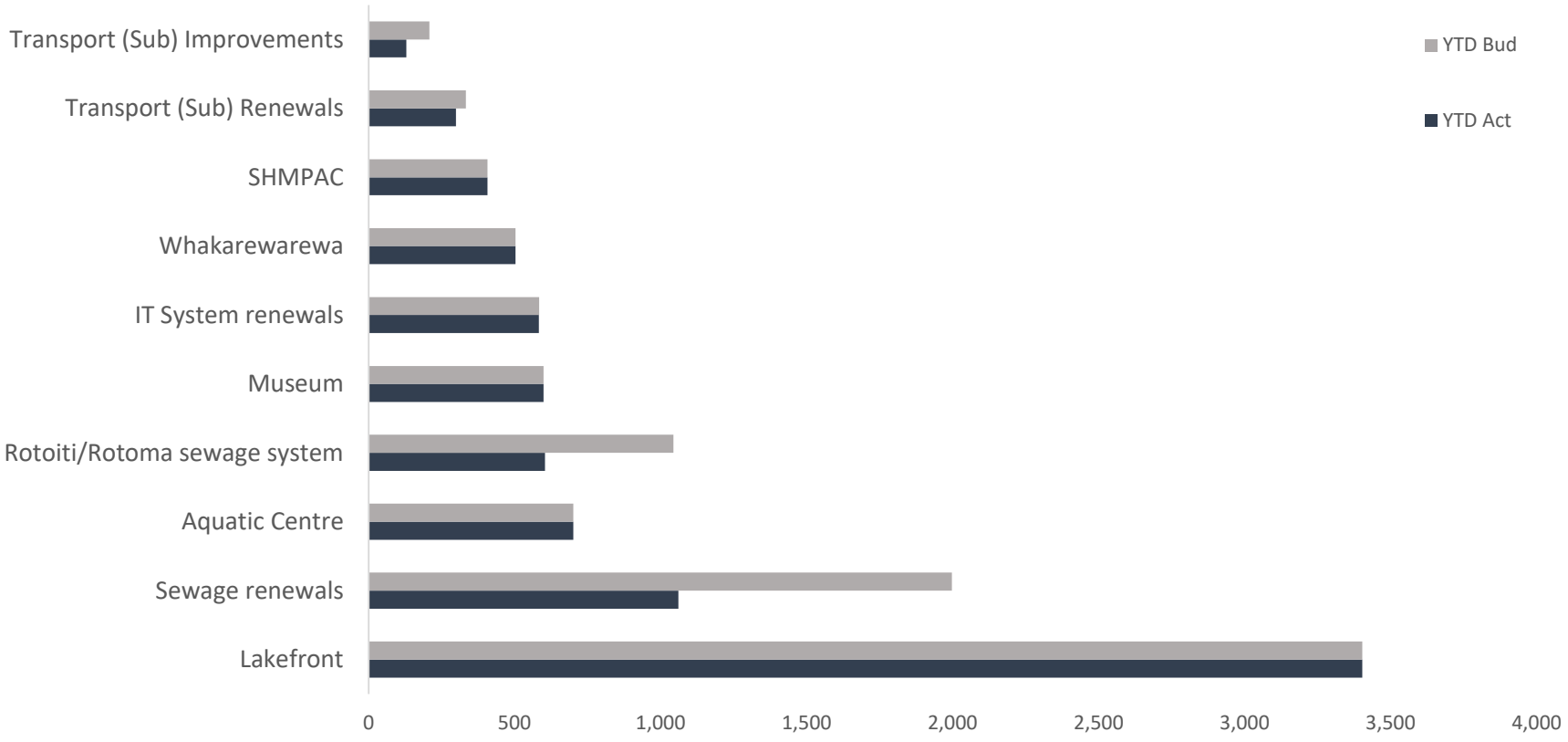
Capital Projection & Procurement



Big projects remain on track over life of project however cashflow impacted by COVID lockdown and timing of planning requirements – some capex planned for current year will carry into future periods

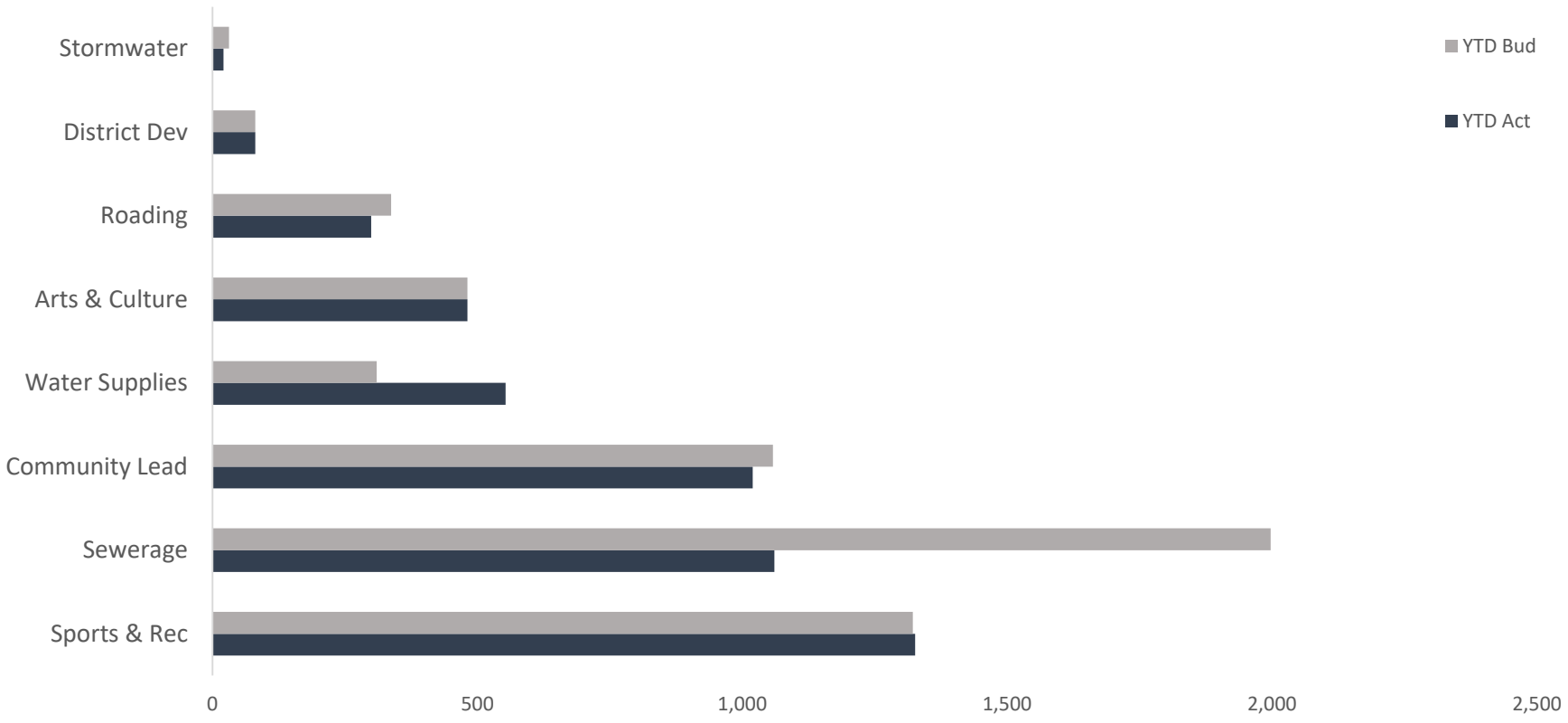
RLC – Top 10 Capex Summary

Top 10 Capex by Budget



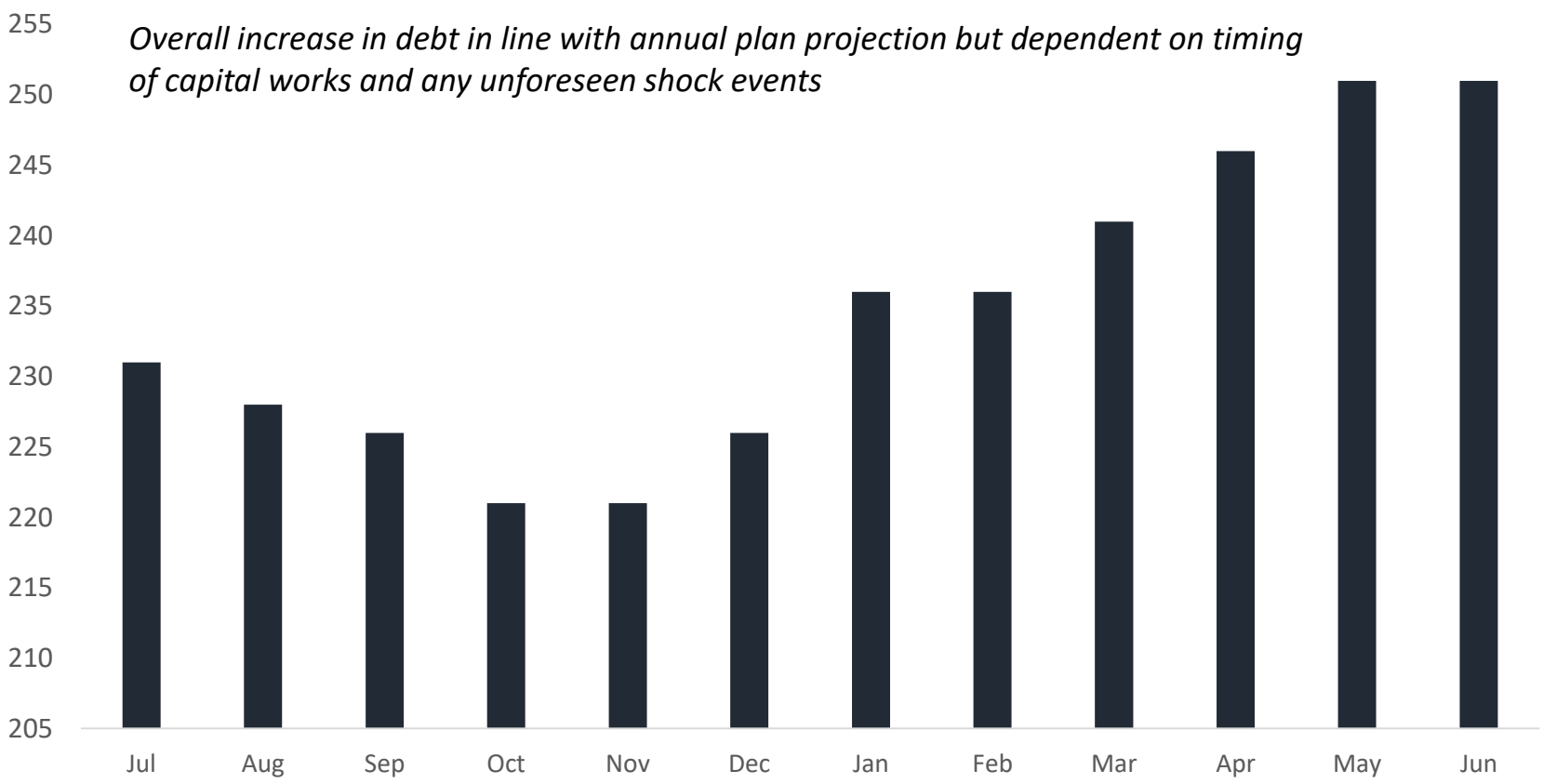
RLC – Renewals Summary

Renewals vs Budget



RLC – Debt Trend Summary (2020/2021)

Debt trend Projection



Macro & National Economic Updates

RLC – Global Themes

Markets:

The NZIER (New Zealand Institute of Economic Research) quarterly service of business opinion was released at the end of October:

- Employment intentions up at net 16% (-28% at previous survey)
- Results indicate **recovering economy** and the rebound over the **short term**
- Global economic **downturn** and **border** closure will remain a **hindrance** to the economic outlook over medium term
- Global markets are all now anticipating the outcome of the **US election**

Interest rates:

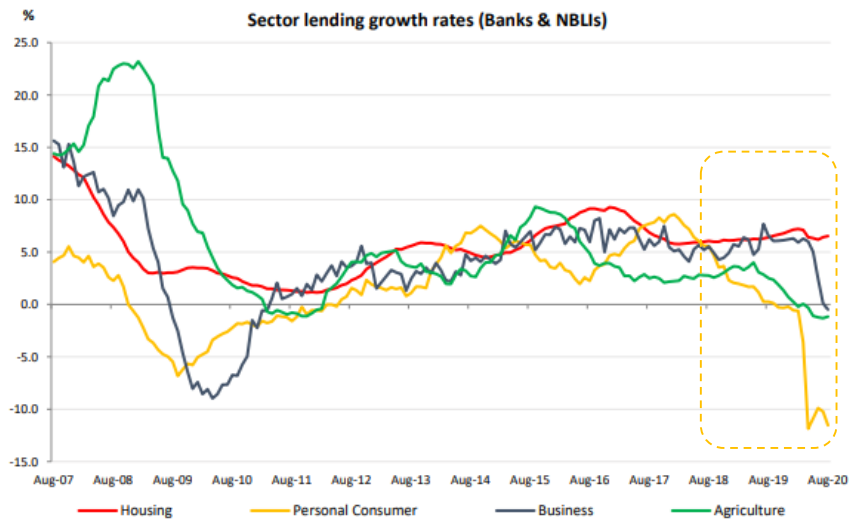
- Monetary Policy Committee has pledged to **hold OCR at current levels** till early next year
- **Additional stimulus** may be provided earlier to economy through FLP (Funding for Lending) - lower retail rates and banks being provided loans under this programme

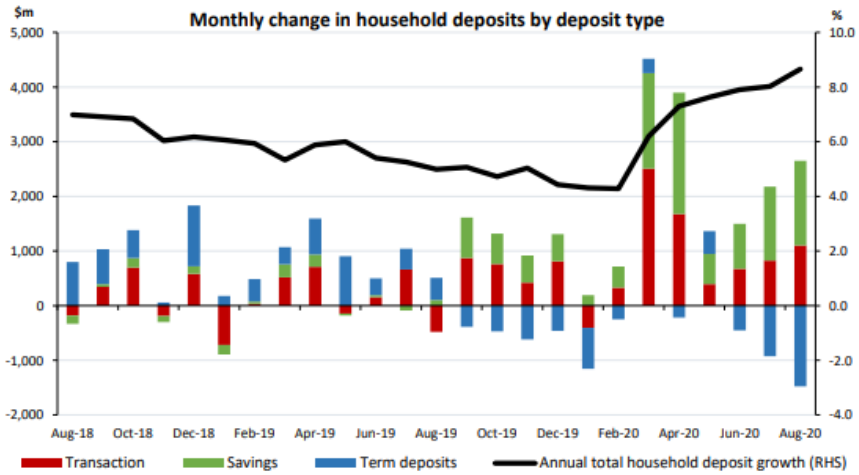
Future expectations:

- Acceleration in **COVID** cases (and new "waves")
- Additional **stimulus** packages = higher debt
- **Employment** and **supply chain pressure**
- House **price** increases

Source: PwC Treasury

RLC – NZ Credit Insights



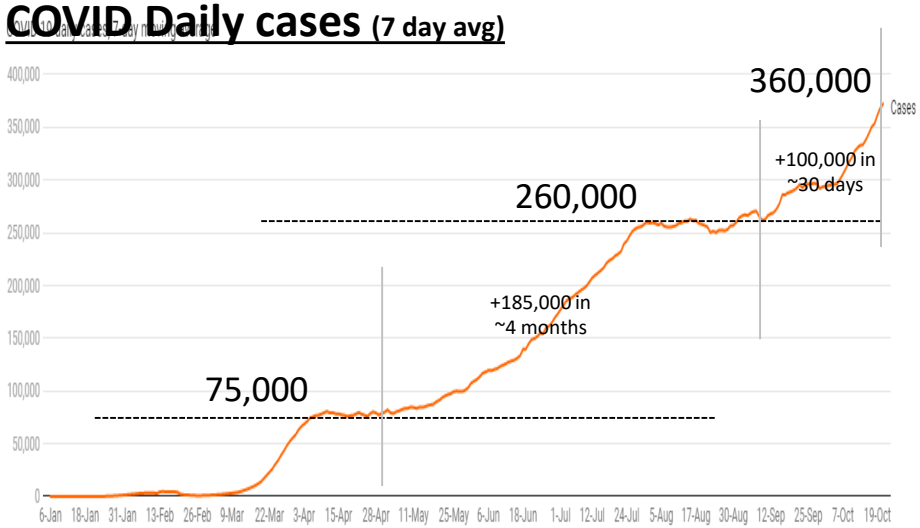


- Total **housing lending stock rose** by $2.1b (0.8 percent) in Aug-20, the highest monthly increase in lending since Mar-07
- Total **business lending fell** in Aug-20, down $496m (-0.4 percent) to $117.7b.
  - Annual business lending growth also fell into the negatives for the first time in nine years
- Total bank **household deposits went up** $1.2b (includes a $1.5b **drop in term** deposits)
- Transaction & savings accounts up
- Term deposits now make up **less than half** of total household deposits

Source: Reserve Bank of New Zealand

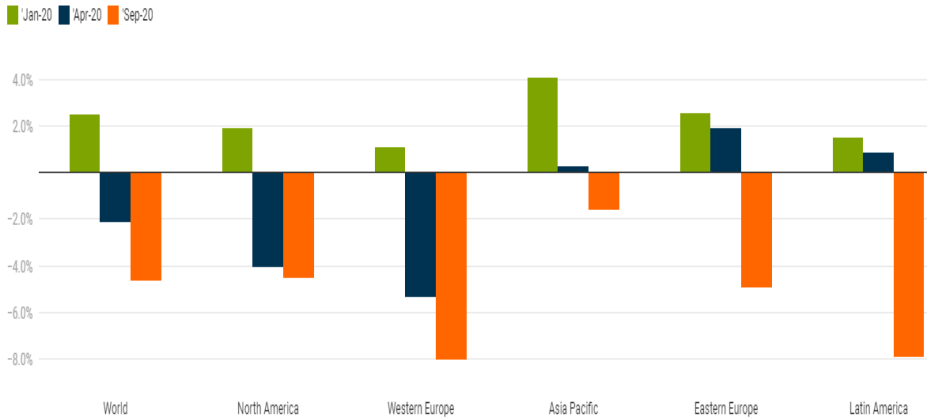
RLC – COVID Observations

COVID Daily cases (7 day avg)



- Global daily cases of COVID-19 have **accelerated**
- Over **400,000** recorded on 16 October
- The pandemic is nowhere near over, and the **resurgence** of cases threatens any moves to reduce global restrictions

Global Growth expectations change



- Global **growth** expectations continued to adjust **down** but weakness not repeated everywhere
- Expectations for **Western Europe** have **fallen** considerably between April and September.
- Markedly more **pessimistic** view of activity in **Eastern Europe** and **Latin America**
- ***NZ exporters*** *will need to adjust to changing demand*

Source: Infometrics

ROTORUA LAKES COUNCIL

RLC – NZ Economy Look Forward

- New Zealand economy **vulnerable**, a double-dip recession forecast to hit during 2021
- Loss of **international visitors** will impact tourism operators during Christmas/summer period
- Decline in employment forecast of **186,000 jobs** by June 2021 compared with pre-pandemic levels (more than 300,000 job losses at the height of April's lockdown)
- Job losses, declines in hours worked and weaker earnings growth will **constrain household spending**
- **Demand for housing** buoyed by investors chasing yield and low interest rates
- The ongoing surge in house prices is exacerbating the **uneven effects** of COVID-19 and amplifying inequality issues
- **Risks remain** to NZ outlook, particularly due to the precarious position of the global economy

Source: Infometrics