



ROTORUA
LAKES COUNCIL

ANNUAL
REPORT
SUMMARY



20
22



HE MIHI WELCOME

Ka pō, ka pō, ka ao, ka ao

Tākiri mai te ata

Kōrihi ngā manu

Ka āo, ka āo, ka awatea.

'Tis dark, 'tis dark, 'tis light, 'tis light

The morning breaks

The birds are singing

'Tis light, 'tis light, daylight has arrived.

E ngā reo, e ngā, mana, e ngā iwi

Koianeī te hau o mihi e rere kau ana ki a koutou.

Tangihia wō tātau aituā, kia tau ai te āhuatanga ki a rātau.

Tātau e ora nei, e whiri nei i ngā whakaaro ki ngā tau e tū mai nei,

Tēnā koutou katoa.

To the many voices, authorities, and people

We extend our greetings to you all.

Let us farewell those who have passed, may they find everlasting peace.

We, of this mortal coil, who can now weave our thoughts for a powerful tomorrow,

We greet you.



CONTENTS

HE MIHI WELCOME	2
HE KUPU NĀ TE MANUKURA CHIEF EXECUTIVE'S MESSAGE	5
MANU MĀTĀRAE ELECTED MEMBERS OUR COUNCIL	7
HE ARONGA POTO: TE WHAKAHAERE PŪTEA AT A GLANCE: SERVICE PERFORMANCE	8
TE TAUĀKĪ MAHI FINANCIAL PERFORMANCE	11
TE WHAKAHAERE PŪTEA MANAGING THE MONEY	12
TE TAUĀKĪ O NGĀ KAUPAPAHERE MAHI KAUTE STATEMENT OF ACCOUNTING POLICIES	19
TE TAUĀKĪ O NGĀ WHIWHINGA MONI WHĀNUI STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	21
TE TAUĀKĪ TŪNGA PŪTEA STATEMENT OF FINANCIAL POSITION	22
TE TAUĀKĪ NEKENEKE TŪTANGA STATEMENT OF CHANGES IN EQUITY	23
TE TAUĀKĪ KAPEWHITI STATEMENT OF CASH FLOWS	24
NGĀ WHAKAMĀRAMA MŌ NGĀ REREKĒTANGA MATUA KI TE TAHUA PŪTEA EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET	26
HE PITO KŌRERO MŌ TE TŪTANGA ME NGĀ RĪHI KUA HAINATIA MAI CAPITAL COMMITMENTS AND OPERATING LEASES	27
NGĀ HEIPŪTANGA CONTINGENCIES	29
NGĀ PĀTANGA I TŪ I MURI I TE RĀ TAPEKE EVENTS AFTER BALANCE DATE	30
RĪPOATA KAIAROTAKE AUDITOR'S REPORT	32







Ngā mihi manahau.

I would never have envisaged completing an Annual Report, a report that looks back and reflects upon what we set out to achieve in year one of the Long-term Plan 2021-31, at a time when conversations are well underway with our new Council, on what delivery of year three could look like. It goes to show the challenging and demanding times we are living in.

While still trying to battle the waves of disruptions being caused by COVID-19, we had not been able to anticipate the curveball of inflation, the war on Ukraine by Russia, and the increased cost of goods and labour that followed. In amongst all of that our community rightly voiced strong opposition to the continued use of motels for transitional housing and the impact that was having on our ability to stand up tourism again in our district, and ensure the safety of our people.

Despite the challenges during the year, we have continued to deliver services to our community to the tune of \$159.7 million and have continued investment into key infrastructure like sewerage renewals (\$14 million), roading improvements (\$12 million), and stormwater improvements (\$11.6 million).

In the financial year we made excellent progress on the Sir Howard Morrison Centre (\$17 million), which we have recently opened (Feb 2023) and the final stages of the Lakefront development were completed, (\$11 million).

We have had a total of 55 performance measures in this financial year. Of that, 36 (65%) of the measures have been achieved, 15 not achieved and 4 were not measured.

In looking at where we have missed the mark, those areas of measurement relate mostly to our challenges in housing and our recovery following COVID lock downs. Addressing housing shortfalls as identified in the Housing and Business Assessment and the processing of complex resource consents saw 6 of 16 measures not achieved. We are making progress, but the overall effect of closing a housing shortfall can't be rectified in one year. Addressing the housing shortfall is a long term goal for Rotorua.

HE KUPU NĀ TE MANUKURA CHIEF EXECUTIVE'S MESSAGE

Other measures not achieved, were the result of reduced attendance numbers at our facilities and events. This followed the slower than expected return to normal business following COVID lock downs. The future is looking a lot more optimistic now, with many retailers expressing that visitors and attendance at events have now returned to pre COVID levels. So we expect to see this optimism reflected in our results for the next financial year.

In total 4 of the measures were not able to be measured this year. This was due to them being new ones set when the Long-term Plan was developed. This has required us to create a baseline, done this year. In subsequent years we will be able to see process against that new baseline. We had also anticipated that an organic waste collection may have been in place by now. Unfortunately due to the overall scoping, timing and consultation required for this, an organics collection has not yet been implemented and therefore measurement of this can't yet be completed.

In April 2022, we finalised our review of the way a future council can be established. This set the model by which subsequent councils will be elected. The final result saw the Local Government Commission make a determination on our representation model. That model comprised, 3 Māori ward councillors, 6 general ward councillors, 1 rural ward councillor, a rural and a lakes community board. This model is a significant change to the way in which the community elected those to represent them.

The Council have set new priorities and I look forward to the new challenges that await us in the coming year as the 2022-25 Council embeds those new priorities establishes the work programme to drive delivery in the areas of economy, infrastructure, community and housing. Principles that will set the ground work for the next Long-term Plan.

Lastly, I would like to thank all the hard working staff of the Rotorua Lakes Council. I am very proud of our organisation; it has been a very challenging year and yet despite all of those challenges our staff continue to deliver exceptionally high results, to challenge and to evolve the way Council operates, and to demonstrate ongoing resilience and adaptability. I look forward to continuing the journey with all our people who dedicate themselves to delivering on outcomes and service to those of the wider Rotorua district.

Geoff Williams
Chief Executive



MANU MĀTĀRAE
ELECTED MEMBERS
OUR COUNCIL



ROTORUA LAKES COUNCILLORS

From left to right: Hon Steve Chadwick - Mayor of Rotorua, Deputy Mayor Dave Donaldson QSM, Cr Peter Bentley, Cr Sandra Kai Fong, Cr Raj Kumar, Cr Reynold Macpherson, Cr Trevor Maxwell MNZM Cultural Ambassador, Cr Merepeka Raukawa-Tait, Cr Tania Tapsell, Cr Fisher Wang, Cr Mercia Yates.



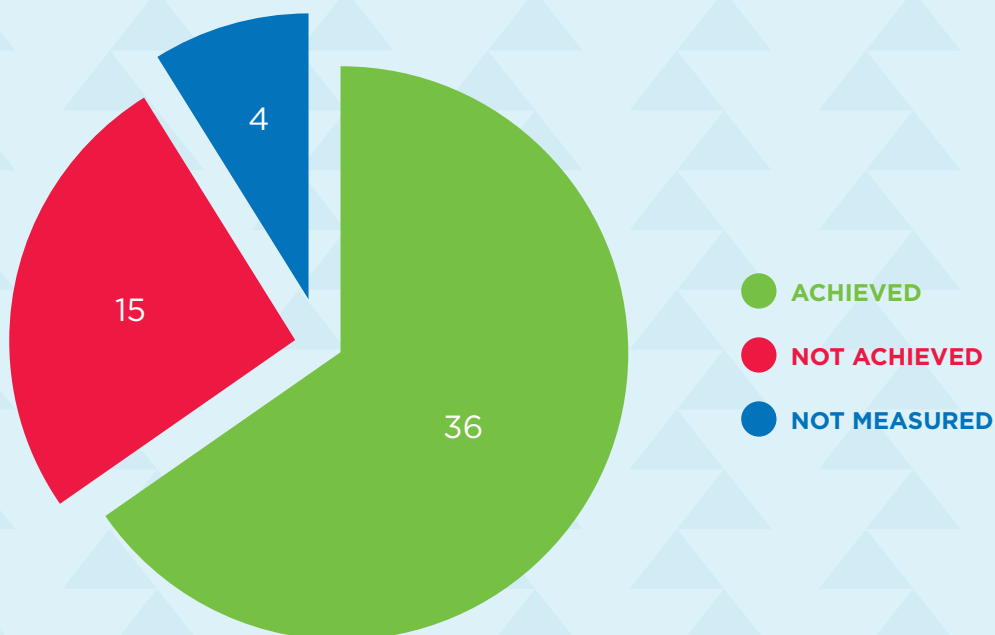
HE ARONGA POTO: TE ĀHUA O NGĀ RATONGA AT A GLANCE: SERVICE PERFORMANCE

The 2021-31 Long-term Plan arranges Council's services into eight activities, setting 55 KPIs. For this financial year, 51 KPIs have been reported on.

Differing circumstances support the four KPIs not measured, as detailed in this section; 65% are achieved and 27% are not achieved with 7% not measured. In comparison with the 2020-2021, 60% KPIs were achieved, 34% not achieved and 6% not measured.

COVID19 has hit our community hard and this is reflected in some of the measures that were not achieved. Measures that relate to housing delivery and economic activity have not performed against the baseline. The implementation of lockdowns and traffic light settings have restricted movement across the country heavily impacting the local economy. With the awarding of funds through the Infrastructure Acceleration Fund and the inclusion of Rotorua in the Medium Density Residential Standards, housing enablement is expected to align to measures set in the LTP moving forward.

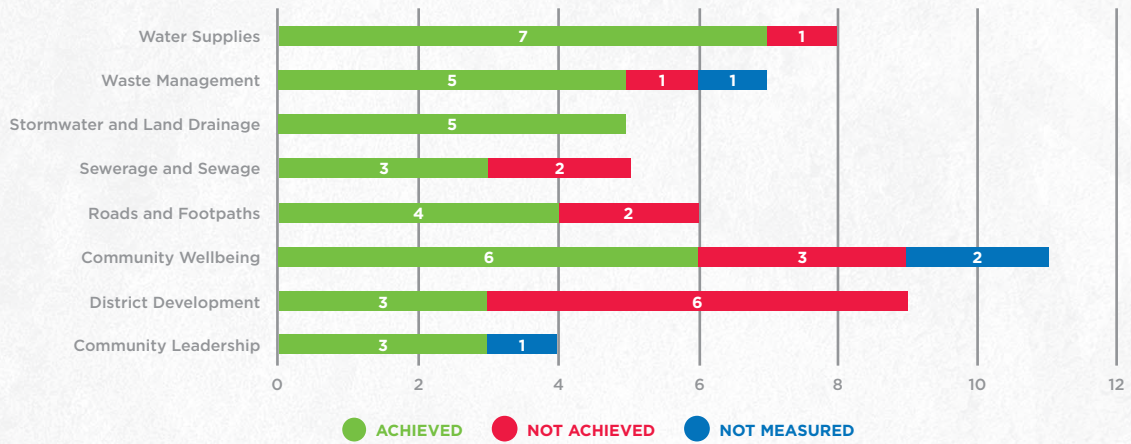
PERFORMANCE TARGETS SUMMARY



LOCAL GOVERNANCE FOR COMMUNITY WELLBEING

In May 2019, the Local Government Act 2002 was amended to reintroduce the 'four wellbeings' into the purpose of Local Government. We, and all other councils across the country, are required to play a broad role in promoting the social, economic, environmental and cultural wellbeing of communities in the present and for the future. In this part of the Annual Report, we present the identified effects of our activities on the four dimensions of wellbeing. Some of our activities affect all four dimensions, while others may only touch on one. Effects can be positive or negative and are described in more detail within each activity.

KEY PERFORMANCE TARGETS BY ACTIVITY GROUP







HE ARONGA POTO: TE WHAKAHAERE PŪTEA AT A GLANCE: FINANCIAL PERFORMANCE

	Actual	Budget
Operating surplus	\$4.8m	\$36.7m
Revenue	\$168.7m	\$183.7m
Expenditure	\$163.9m	\$146.9m
Revenue - from rates	\$109.6m	\$112.3m
Revenue - from other sources	\$59m	\$71.4m
Capital expenditure	\$85m	\$146m
Net debt	\$280.6m	\$323.7m
Credit Rating - Fitch International - March 2022	AA-	
Outlook	Stable	

The 2021/2022 financial year saw a continuation of the challenges from last year with respect to the economic recovery, rising inflation, shortages of materials, covid restrictions, and high staff turnover. Some key projects were delayed as a result supply chain and lockdown issues. Despite these challenges Council was able to achieve \$85m of capital works with 80% of budgeted capital works completed.

The financial year surplus of \$4.8m is below the budgeted surplus due to grant revenue not received for operating and capital projects as a result of construction delays and material shortages. There were also increases in costs due to inflation and additional expense incurred re emergency housing and community safety.

Some of the issues faced by Council this year were:

NEW ISSUES

1. Shortages of supplies and labour causing delays to capital works.
2. Subsidies and grants income was lower due to delays in meeting capital works milestones.
3. Increased consultant costs to meet the demand in building and consenting as well as for the build back better initiative and housing strategy.
4. Rising inflation affecting the costs of goods and services.

ONGOING ISSUES

1. Staff recruitment and retention remains challenging.
2. The impact on depreciation costs from the revaluation of infrastructure assets.
3. Continuing challenges with regard to emergency housing
4. The need to fund additional inner-city security.
5. Loss of event-driven fees and lower visitor numbers with moving covid alert levels.



TE WHAKAHAERE PŪTEA MANAGING THE MONEY

Rotorua Lakes Council spent \$163.9 million this year to provide direct services to the community, internal services to support and run Council, and additional services that provide benefit to the community. Additionally, \$85 million was spent on capital works to renew assets or create new facilities and amenities for our Rotorua of the future.

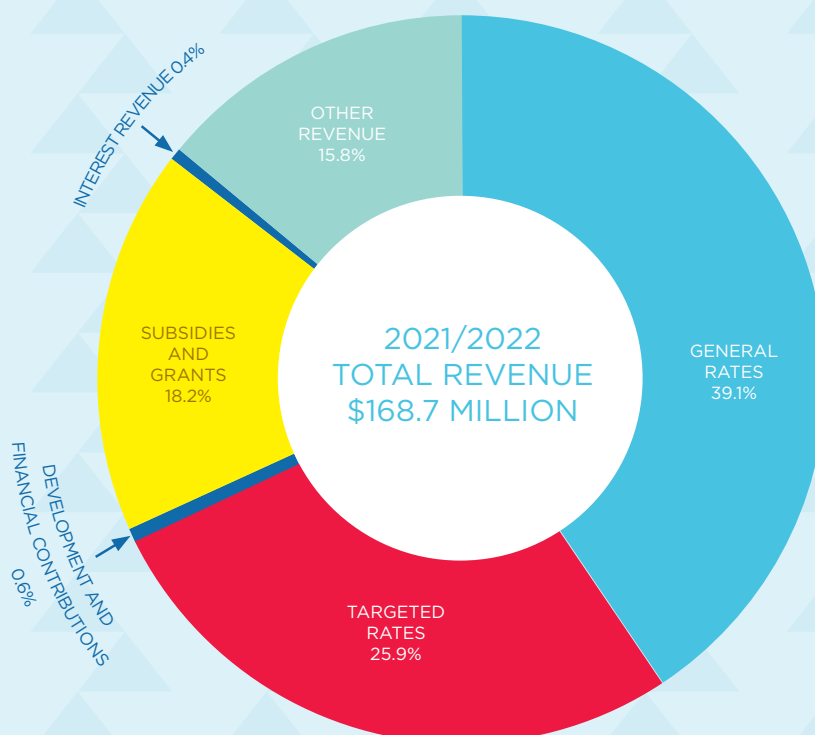
We manage \$1.5 billion worth of assets including roads, bridges, parks and playgrounds, halls, land, recreation and leisure facilities, drains, water and wastewater infrastructure and libraries and parks.

Principal sources of revenue are property rates (general and targeted), government grants and subsidies, user charges and fees.

Principal expense categories include contractors, maintenance, personnel costs, depreciation, grants to community groups and many other community services. Services provided include the roading and footpaths, drinking water, waste water, storm water, library, Aquatic Centre, emergency management, and planning and regulatory programs. Full details of the Council's Financial Statements are available from page 69.

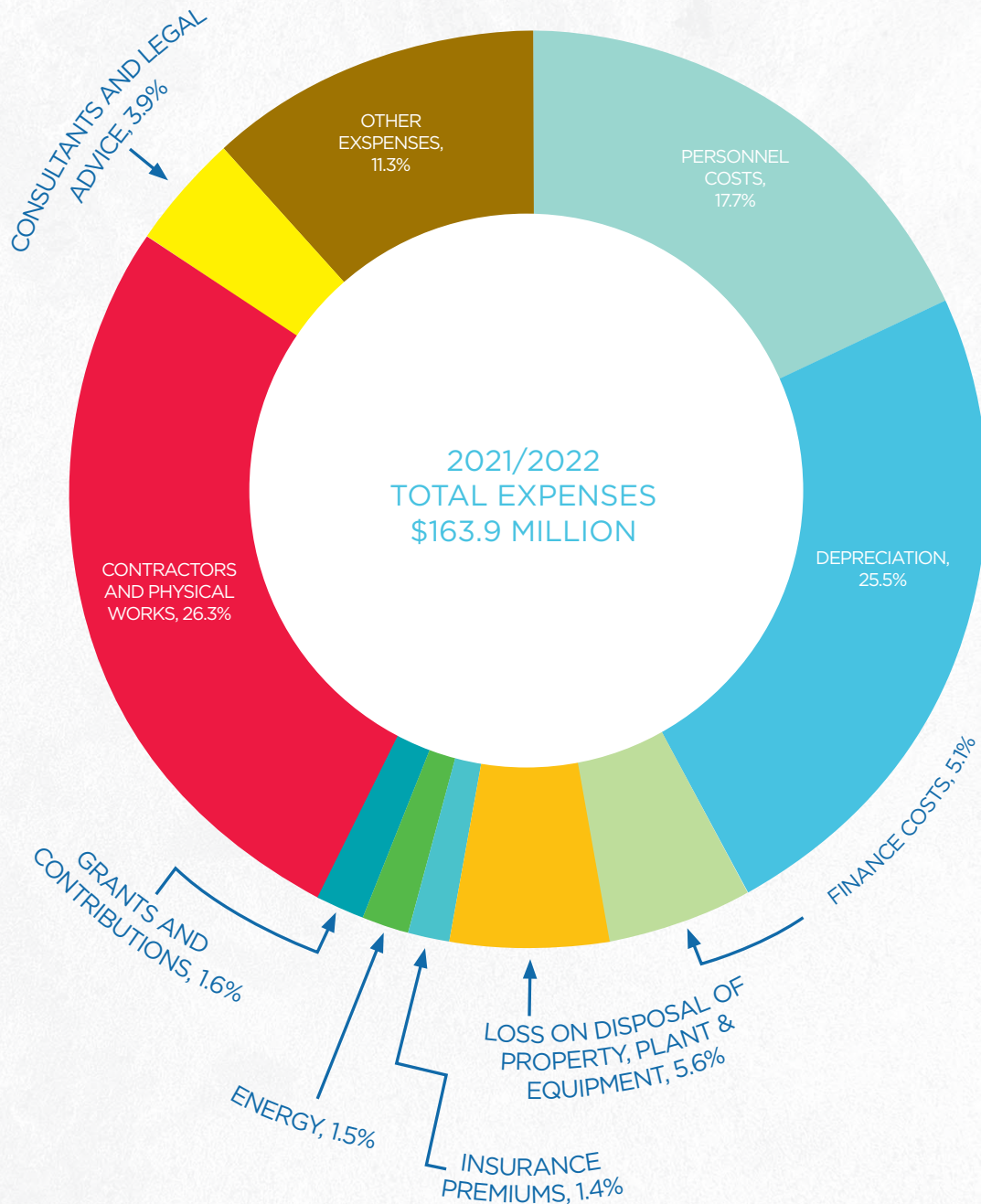
WHERE DID COUNCIL'S REVENUE COME FROM?

This year income from rates (general and targeted) contributed \$110 million or 65% of total operating revenues (2020/21 \$101 million; 71%). In addition to this, revenue was received from subsidies and grants of \$30 million; 18.2%, (\$25 million: 16% 2020/21).



WHAT WERE COUNCIL FUNDS USED FOR?

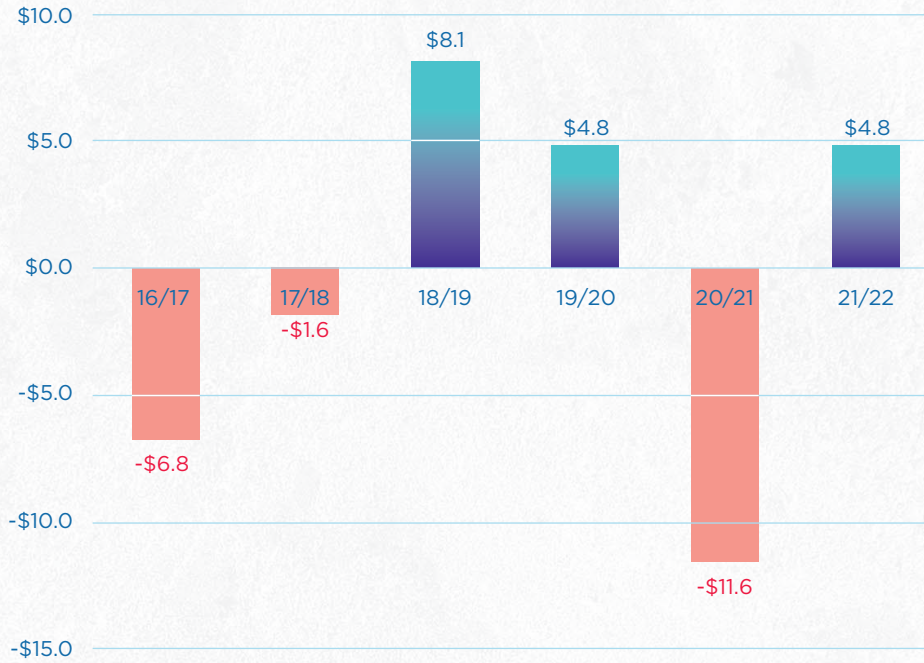
Total operating expenditure for 2021/2022 was \$163.9m.



HOW DOES OUR PERFORMANCE COMPARE WITH PREVIOUS YEARS?

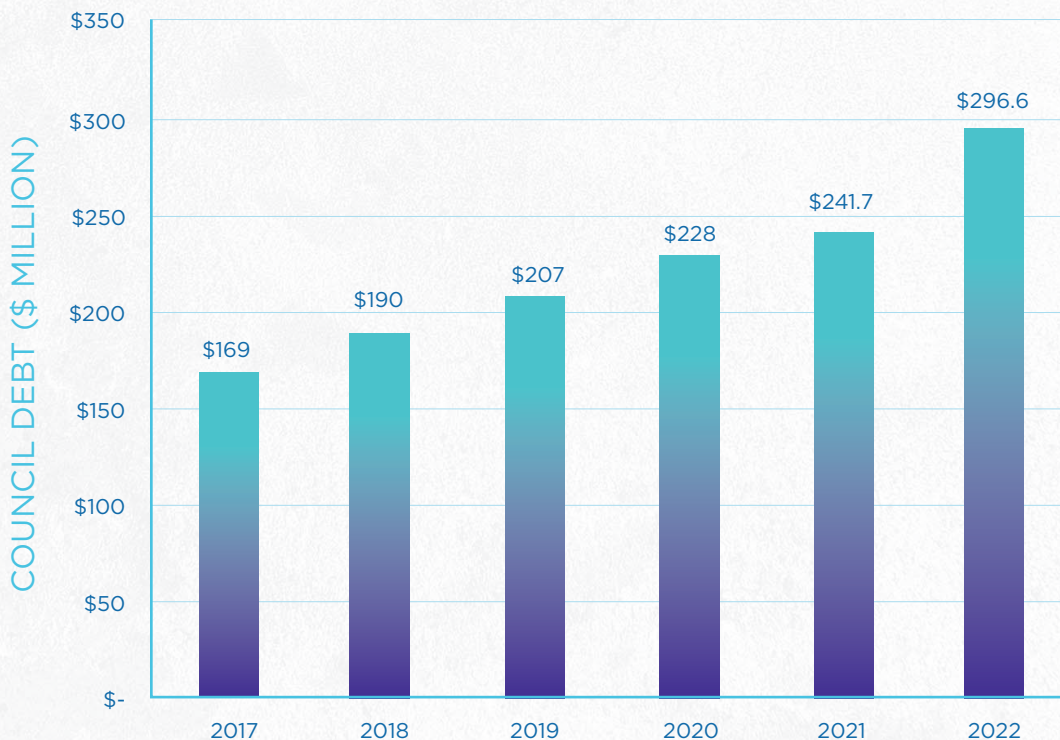
We have incurred a net surplus of \$4.8m in 2021/22. The surplus is the reported revenue (\$168.7m) less reported expenses (\$163.9m), which includes depreciation on property, plant, and equipment.

OPERATING RESULTS (\$ MILLION)



COUNCIL DEBT

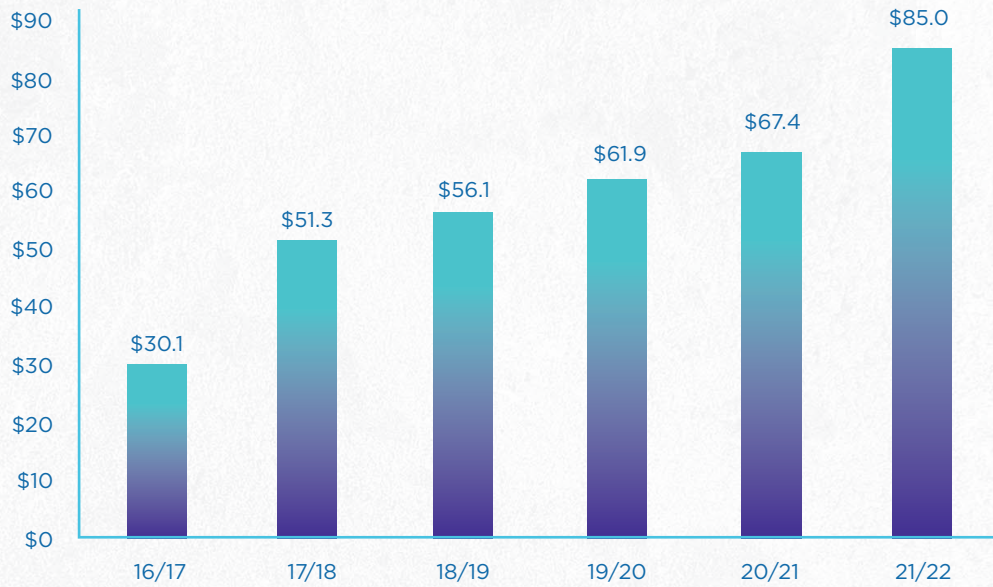
Debt increased by \$54.9 million from last year to \$296.6 million. Council borrows funds so that the cost of new facilities, infrastructure, and associated improvements is spread over the generations who will benefit and use the assets as opposed to loading all the costs to one generation. For 2021/22 the increase in debt was driven by investment in major capital projects.



CAPITAL EXPENDITURE

Overall Council spent \$85 million on projects that either renewed assets (\$37m) or enhanced their level of service (\$48m). This was \$60 million lower than our planned budget of \$145 million and was largely driven by extended timings on key projects such as the Museum, Aquatic Centre, and water system enhancements that were either impacted directly by the COVID-19 supply chain or lockdown issues; or were deferred as further investigation works and additional planning were carried out. Further commentary on these and other key projects have been identified in the Capital Pressures table below.

CAPITAL EXPENDITURE (\$ MILLION)





CAPITAL PRESSURES

Council is committed to collaborative partnerships with the community, suppliers and stakeholders. Given the need to ensure projects are fit for purpose, as circumstances and requirements change, the timing of these projects do not necessarily fit into a financial year.

PROJECT	SPEND 21/22	COMMENT
Sir Howard Morrison Centre	\$17m	Under budget by \$2.4m due to extended timetable for some aspects. Opening gala held in Feb 2023.
Aquatic Centre	\$1.3m	Under budget by \$9m due to delay in phase two. Works commenced in October 2022.
Lakefront Development	\$11m	On budget - Construction is on track with Stage 5 concrete footpath and landscaping 90% complete; Stage 6 stormwater works and footpath both under way and Wharewaka RFP re-issued to market.
Sewage Renewal	\$14m	Under budget by \$5.3m due to construction delays. Works under way Rotoiti/Rotoma are on schedule; Rotoehu funding secured from Te Arawa Lakes water partnership awaiting ministers sign off. Victoria St trunk mains design for replacement progressing with negotiation underway on critical easements
Transport Improvements	\$12m	On Budget - program of works underway across the district with those led by NZTA largely along SH30 and SH33. Road rehabilitation on Hamurana, Yankee, and Ashpit roads is complete with Waikite Valley close to completion. Detailed engineering report received for stabilisation of Paradise Valley Stream and program under development for delivery over next two years.
Stormwater improvements	\$11.6m	On budget - King Street stormwater project has been completed and draft design underway for Hinemoa Point. Pukehangi West design complete to support PC2 requirements and currently stalled until additional funding sought.
IT systems upgrades and renewals	\$5.1m	Over budget by \$1.4m due to increased consultant and data migration costs re OneCouncil ERP. ERP upgrade well underway with next stage of UAT progressing and planned go live in May 2023. Included in this spend is the renewal of various hardware and software assets.
Economic Recovery projects	\$0m	\$22m under budget - Deferred t 2023.
Economic Recovery projects	\$0m	\$22m under budget - Deferred t 2023.



STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Rotorua Lakes Council is a territorial local authority under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Rotorua Lakes Council group (Group) consists of the ultimate parent, Rotorua Lakes Council (Council) and its subsidiaries Rotorua Regional Airport Limited (100% owned), Rotorua Economic Development Limited (100% owned), InfraCore Limited (100% owned), and Kauae Cemetery Trust Board by special relationship. The Council's subsidiaries are incorporated and domiciled in New Zealand.

The Council and Group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the Group as public benefit entities (PBEs) to comply with generally accepted accounting practices and applies New Zealand Tier 1 Public Benefit Entity accounting standards (PBE standards).

The financial statements of the Council and Group are for the year ended 30 June 2022. The financial statements were authorised for issue by Council on 27 September 2023.

The summary financial statements have been extracted from the full financial statements without any restatement or reclassification.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements have been prepared in accordance with Tier 1 of the Public Benefit Entity Standards.

The full financial statements were audited by Audit New Zealand and an unqualified audit opinion was provided on 27 September 2023.

The full financial statements are available on Rotorua Lakes Council's website rotorualakescouncil.nz

BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in the significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

The financial statements have been prepared on a going concern basis.

STATEMENT OF COMPLIANCE

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA, and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practices in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 1 PBE Standards.

PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

CHANGES IN ACCOUNTING POLICIES

Cash Flow Statements:

Amendments to PBE IPSAS 2 Cash Flow Statements is mandatory for annual periods beginning on or after 1 January 2021. This Standard establishes new requirements for entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

Council has applied the new standard in preparing the 30 June 2022 financial statements. The Council and Group have assessed the effects of these amendments and conclude that they do not result in a material change to the Council and Group's reporting requirements.

The Council and Group have revised their accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The policy has been applied retrospectively but no changes were required to be made in prior periods. For further details.



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2022

	Council			Group	
	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Revenue					
Rates	109,676	112,272	101,383	109,569	101,279
Subsidies and grants	30,727	52,381	25,222	31,847	26,077
Development and financial contributions	1,071	-	669	1,071	669
Finance income	687	630	688	236	169
Other revenue	26,598	18,420	15,700	32,893	19,940
Total revenue	168,759	183,703	143,662	175,616	148,134
Expenses					
Personnel costs	29,046	31,884	29,008	41,281	41,328
Depreciation and amortisation expense	41,945	33,767	42,036	44,047	45,143
Finance costs	8,279	8,136	6,977	8,351	7,059
Other expenses	84,633	73,189	77,195	75,704	67,177
Total expenses	163,903	146,976	155,216	169,383	160,707
Surplus/(deficit) before tax	4,856	36,727	(11,554)	6,233	(12,573)
Income tax expense	-	-	-	241	(481)
Surplus/(deficit) after tax	4,856	36,727	(11,554)	5,992	(12,092)
Other comprehensive revenue and expense					
<i>Items that could be reclassified to surplus/(deficit)</i>					
Net change in fair value of investment	1,402	-	7,934	1,402	-
<i>Items that will not be reclassified to surplus/(deficit):</i>					
Revaluation on property, plant and equipment	245,232	2,912	98,685	245,232	102,846
Revaluation on intangibles	-	-	46	-	46
Prior Year Equity Correction	959	-	-	388	-
Total other comprehensive income	247,593	2,912	106,665	247,022	102,892
Total comprehensive income	252,449	39,639	95,111	253,014	90,800

Explanations of major variances against budget are provided on page 26

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Council			Group	
	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	16,011	9,254	6,256	17,728	9,125
Receivables	19,456	13,283	16,037	19,441	14,529
Other financial assets	2,000	-	1,000	2,226	1,224
Inventories	96	-	89	821	851
Current tax receivables	61	-	62	87	95
Non-current assets held for sale	1,460	-	2,161	1,460	2,161
Total current assets	39,084	22,537	25,605	41,763	27,985
Non-current assets					
Shares in associates	76	-	22	76	22
Other financial assets:					
- Investment in CCO's and other similar entities	62,708	51,819	61,311	-	-
- Investment in other entities	4,924	5,661	4,043	4,924	4,043
Trade and other receivables	14,530	17,331	16,363	70	90
Property, plant and equipment	1,580,614	1,454,248	1,313,155	1,660,924	1,389,731
Work in progress	121,579	-	97,882	121,579	97,940
Intangible assets	1,941	5,269	2,556	2,000	2,736
Total non-current assets	1,786,372	1,534,328	1,495,332	1,789,573	1,494,562
Total assets	1,825,456	1,556,865	1,520,937	1,831,336	1,522,547
LIABILITIES					
Current liabilities					
Borrowings	79,832	37,000	27,976	79,833	27,976
Employee entitlements	2,766	4,425	3,872	3,736	4,821
Provisions	18	19	18	30	29
Payables and deferred revenue	47,883	32,990	49,624	47,926	49,736
Total current liabilities	130,499	74,434	81,490	131,513	82,562
Non-current liabilities					
Borrowings	216,742	295,942	213,700	218,571	216,526
Employee entitlements	121	671	117	121	117
Provisions	1,877	2,255	1,862	1,877	1,862
Deferred tax liabilities	-	-	-	1,578	2,023
Total non-current liabilities	218,740	298,868	215,679	222,147	220,528
Total liabilities	349,239	373,302	297,169	353,660	303,090
Net assets	1,476,217	1,183,563	1,223,768	1,477,676	1,219,457
EQUITY					
Accumulated funds	717,044	791,396	718,834	721,152	719,861
Reserves	759,173	392,168	504,934	756,522	499,596
Total equity attributable to the Entity	1,476,217	1,183,563	1,223,768	1,477,676	1,219,457
Total equity	1,476,217	1,183,563	1,223,768	1,477,676	1,219,457

Explanations of major variances against budget are provided on page 26

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Actual 2022 \$'000	Council Budget 2022 \$'000	Actual 2021 \$'000	Group Actual 2022 \$'000	Actual 2021 \$'000
Balance as at 1 July	1,223,768	1,143,924	1,128,657	1,219,457	1,128,657
Surplus/(deficit) after tax	4,856	36,727	(11,554)	5,992	(12,092)
Other comprehensive revenue and expense	247,593	2,912	106,665	247,022	102,892
Balance as at 30 June	1,476,217	1,183,563	1,223,768	1,477,676	1,219,457



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Council			Group	
	Actual 2022 \$'000	Budget 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Cash flows from operating activities					
<i>Inflows</i>					
Receipts from rates revenue*	108,313	111,811	100,260	108,090	100,232
Interest received	687	630	688	237	169
Dividends received	2	-	30	2	30
Receipts from other revenue*	36,235	61,716	36,903	42,607	42,550
Total cash inflow from operating activities	145,237	174,157	137,881	150,936	142,981
<i>Outflows</i>					
Payments to suppliers*	(67,058)	(80,557)	(67,964)	(57,866)	(58,094)
Payments to employees	(30,148)	(31,276)	(29,506)	(42,362)	(42,213)
Interest paid	(8,020)	(8,136)	(7,062)	(8,092)	(7,144)
Income tax paid	(1)	-	-	(678)	2
Goods and Services Tax (net)	(781)	-	(2,198)	(729)	(2,054)
Total cash outflow from operating activities	(106,008)	(119,969)	(106,730)	(109,727)	(109,503)
Net cash from operating activities	39,229	54,188	31,151	41,209	33,478
Cash flows from investing activities					
<i>Inflows</i>					
Receipts from sale of property, plant, and equipment	192	-	670	374	715
Loan advances repaid	1,770	-	31	20	32
Receipts from sale of intangible assets	253	-	-	270	-
Proceeds from disposal of financial assets	-	-	320	-	320
Total cash inflow from investing activities	2,215	-	1,021	664	1,067
<i>Outflows</i>					
Purchase of property, plant and equipment	(84,657)	(145,960)	(65,798)	(86,630)	(67,143)
Purchase of intangible assets	-	-	(2,312)	(7)	(2,329)
Loan advances made	-	-	-	-	-
Purchase of financial assets	(1,930)	(1,302)	(2,750)	(535)	(2,224)
Total cash outflow from investing activities	(86,587)	(147,262)	(70,860)	(87,172)	(71,696)
Net cash from investing activities	(84,372)	(147,262)	(69,839)	(86,508)	(70,629)
Cash flows from financing activities					
<i>Inflows</i>					
Proceeds from borrowings	84,000	112,571	97,800	84,000	97,800
<i>Outflows</i>					
Repayment of borrowings	(29,102)	(20,000)	(84,300)	(29,927)	(85,225)
Payments of finance leases	-	-	(52)	(171)	(57)
Total cash outflow from financing activities	(29,102)	(20,000)	(84,352)	(30,098)	(85,282)
Net cash from financing activities	54,898	92,571	13,448	53,902	12,518
Net increase / (decrease) in cash and cash equivalents	9,755	(503)	(25,240)	8,603	(24,633)
Cash and cash equivalents at the beginning of the year	6,256	9,757	31,496	9,125	33,758
Cash, cash equivalents, and bank overdrafts at the end of the year	16,011	9,254	6,256	17,728	9,125

* This includes amounts received and paid on behalf of and from Bay of Plenty Regional Council, New Zealand Transport Agency and petrol tax. Ref

STATEMENT OF CASH FLOWS

RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Surplus/(deficit) after tax	4,856	(11,554)	5,992	(12,092)
Add/(less) non-cash items				
Depreciation	41,507	41,571	43,452	44,401
Amortisation	360	465	473	742
Impairment of property, plant and equipment and intangible assets	418	1,675	418	1,675
Impairment of accounts receivable	293	647	299	703
Vested assets and assets recognised for the first time	(10,936)	-	(10,936)	-
Decrease in landfill aftercare provision	15	(345)	15	(345)
Decrease in weathertightness provision	-	-	-	(50)
Share of associate's surplus	(54)	128	(54)	128
(Gains)/losses in fair value on investments through surplus and deficit	-	(910)	-	(40)
Total non-cash items	31,603	43,231	33,667	47,214
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant, and equipment	9,134	5,241	9,135	5,280
Total items classified as investing or financing activities	9,134	5,241	9,135	5,280
Add/(less) movements in working capital items				
Receivables	(4,761)	(458)	(5,978)	(821)
Prepayments	1,229	(1,770)	1,242	(1,865)
Inventories	(7)	(8)	30	8
Payables and deferred revenue	(1,737)	(2,688)	(1,810)	(3,063)
Provision for taxation	(1)	-	8	2
Provisions	15	(345)	4	(300)
Employee benefits	(1,102)	(498)	(1,081)	(885)
Net movement in working capital items	(6,364)	(5,767)	(7,585)	(6,924)
Net cash inflow/(outflow) from operating activities	39,229	31,151	41,209	33,478

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations of major variations against the budget information at the start of the financial year are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Rotorua Lakes Council recorded a surplus of \$4.8 million compared to a budgeted surplus of \$35.4 million. The major reasons for the variance of \$29.9 million between actual and budgeted result are as follows:

REVENUE

Revenues were \$14.9m lower than budget with major variances including:

- Rates revenue is \$2.6m below budget due to rates on Council owned properties being included in budget but excluded from actuals.
- Subsidies and grants revenue was \$21.6m under budget due principally to timing differences for capital grant subsidies from Government. This reduction was partially offset by \$4m of additional subsidies received from Waka Kotahi - New Zealand Transport Agency.
- All other income was \$8.1m above budget with \$7m of unbudgeted revenue from land vested to Council from subdivisions at Morey Street, Collie Drive, Elham Place and Redwood Park. Other revenue types were below budget by \$1.1m due to covid restrictions impacting visitor numbers, parking revenue, and event revenue. Rent relief was given to some businesses that were heavily impacted by reduction in visitors.

EXPENDITURE

Expenses were \$11.9m higher than budget. Major variances included:

- Personnel costs are \$2.8m below budget due to vacancies and time taken to fill vacant positions.
- Depreciation expense is above budget by \$8.1m due to the impact of revaluations of infrastructure assets.
- Other expenses are \$11.4m over budget due to loss on disposal of property, plant and equipment of \$5.5m and \$1m of Infracore debt forgiven. Contractors and consultants were \$1.5m over budget due to housing strategy work and additional resources for planning and consenting. Other expense categories had offsetting variances to budget.

STATEMENT OF FINANCIAL POSITION

Overall net assets are \$292m above budget. Significant variances are as follows:

CURRENT ASSETS

Receivables were \$6.1m above budget due to rates increases not being included in budget.

NON - CURRENT ASSETS

Investment in Council Controlled Organisations is \$10m above budget due to 2021 carrying value not being reflected in budget.

Property, Plant and Equipment is \$126m above budget due to revaluations performed during the financial year. Revaluations resulted in significant increases for stormwater, land, buildings, parks & reserves and roads & footpaths. Intangible assets were \$3.3m less than budget due to delay in implementation and capitalisation of ERP system.

Loans receivable are \$2.8m lower due to a higher portion of loans to related parties being classified as current assets.

CURRENT LIABILITIES

Payables and deferred revenue are \$15m higher than budget due to timing of amounts due. Increase in payables is partially reflected in an offsetting difference in cash and cash equivalents. Current portion of borrowings are \$43m higher than budget due to delays in capital projects and corresponding incoming grants.

NON - CURRENT LIABILITIES

Non current portion of borrowings is \$79m below budget due to delayed timings of expenditure on major capital projects.

CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Capital commitments				
Parks & Reserves	7,620	6,105	7,542	6,089
Roading network	24,799	27,012	24,600	26,901
Buildings	15,236	16,230	15,236	16,230
Stormwater	9,120	1,724	9,120	1,724
Wastewater - other	3,653	10,727	3,653	10,727
Wastewater treatment	14,166	2,028	14,166	2,028
Water - other	1,523	1,143	649	1,143
Water treatment	-	-	-	-
Intangibles	1,005	1,078	1,005	1,078
Plant and equipment	585	5	585	84
Land	232	-	232	-
Total capital commitments	77,939	66,052	76,788	66,004

OPERATING LEASES AS LESSEE

The Council and Group lease property, plant and equipment in the normal course of its business. The leases have non-cancellable terms that range between 22 and 1,189 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Not later than one year	163	197	396	297
Later than one year but not later than two years	143	153	143	223
Later than two years but not later than five years	241	333	1,170	391
Later than five years	399	817	1,386	817
Total non-cancellable operating leases	946	1,500	3,095	1,728
Total capital commitments	77,939	66,052	76,788	66,004
Total commitments	78,885	67,552	79,883	67,732

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$Nil (2021: \$Nil). In general, leases can be renewed at the Council or Group's option, with rents set by reference to current market rates for items of equivalent age and condition. For some lease agreements, the Council or Group has the option to purchase the asset at the end of the lease term.

For the majority of lease agreements, there are no restrictions placed on the Council or Group by any of the leasing arrangements.

OPERATING LEASES AS LESSOR

The Council and Group lease land, buildings, parks, reserve land and commercial premises under operating leases. The leases have non-cancellable terms that range between 12 and 530 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Not later than one year	2,573	989	2,272	965
Later than one year but not later than two years	2,330	942	2,330	942
Later than two years but not later than five years	6,110	2,369	3,981	2,369
Later than five years	16,047	6,992	16,047	6,992
Total non-cancellable operating leases	27,060	11,292	24,630	11,268

Contingent liabilities

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Financial guarantees	-	-	-	-
Financial guarantees to community and sporting groups	-	9	-	9
Suspensory loan				
Housing New Zealand Corporation suspensory loan	1,567	1,532	1,567	1,532
Legal proceedings				
The Group's effective exposure to legal claims	715	750	715	750
Total contingent liabilities	2,282	2,291	2,282	2,291

FINANCIAL GUARANTEES

ACCOUNTING POLICY

A financial guarantee contract is a contract that requires the Council or Group to make specific payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an un-related party, its fair value at inception is equal to the consideration received. When no consideration is received the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- the present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

The value of the guarantees disclosed as contingent liabilities reflects the Group's assessment of the undiscounted portion of financial guarantees that are not recognised in the Statement of Financial Position.

SUSPENSORY LOAN

The Housing New Zealand suspensory loan has been spent on specific social housing projects in accordance with the loan agreement. The Council is not required to repay the principal, including interest and costs, provided the Council meets the conditions of the loan during a 20 year period commencing December 2005. The loan is secured by first ranking mortgage over the land.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Accounting for suspensory loan from Housing New Zealand

The Council's view is the suspensory loan from Housing New Zealand is in substance a grant with conditions attached and is therefore accounted for under PBE IPSAS 23 Revenue from Non-Exchange Transactions. The Council considers there are two possible accounting treatments for the grant under PBE

IPSAS 23; either recognising the grant evenly over the 20-year condition period, or recognising the grant as revenue at the end of the conditions in 2025. As the suspensory loan in totality would be repayable, should any of the conditions not be met during the condition period to 2025, the Council believes it prudent, and has therefore elected, to recognise the grant at the end of the 20-year period.

Legal proceedings

The Council is currently facing three legal claims (2021: three). An estimate of Council's share of exposure is \$715,000 (2021: \$750,000), and includes an estimate for other known situations out of which a formal claim may arise. The Council does not accept the validity of all these claims and is in the process of resolving them through normal legal avenues.

The Council settled a dispute which relates to an alleged breach of Council's Landfill resource consent.

On 26 May 2021 the Council agreed to plead guilty to 1 of 2 remaining charges (for breach of section 15(1)(b) of the Resource Management Act and the other charge was dismissed. Sentencing took place in October 2021.

UNQUANTIFIED CLAIMS

Weather-tightness claims

A provision of \$18,000 (2021: \$18,000) has been recognised for weather-tightness claims. Included in this amount is an estimate of \$Nil (2021:\$Nil) being the Council's exposure to potential future claims which have not yet been advised until the statutory limitation period expires. Claims must be made within 10 years of the construction or alteration of the dwelling in order for the claim to be eligible under the Weather-tight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims.

RISKPOOL

RiskPool provides public liability and professional indemnity for its members, of which Council is no longer a member. The trust deed of RiskPool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the board may make a call on members in relation to that fund year. RiskPool advises of a final call for funds in either the 2023 or 2024 financial year.

NATIONAL PROVIDENT FUND

The Council is a participating employer in the National Provident Fund (NPF) Defined Benefit Plan Contributors Scheme ("the Scheme"), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the Council could be responsible for the entire deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the Council could be responsible for an increased share of the deficit.

As at 31 March 2022 the Scheme had a deficit of \$595,000 (98.3% of the liabilities) (2021: surplus of \$1,262,000, 102.2%). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was

calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

In the actuarial review, completed as at 31 March 2021, the Actuary recommended the employer contribution rate to the Scheme be set between 2.0 and 4.0 times contributors' contributions from 1 April 2021 with a further scheduled increase from 1 April 2022 to 4 times contributors' contributions.

CONTINGENCIES

Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Standard and Poor's of AAA for local currency and a foreign currency rating of AA+. As at 30 June 2022, the Council is one of 36 local authority guarantors of the LGFA. Together with the other guarantors, the Council is a guarantor of all of the LGFA's borrowings. As at 30 June 2022, the LGFA had borrowings totalling \$14,041,907 (2021: \$12,065,668). Financial reporting standards require the Council to

recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Contingent assets

Loan guarantees

Rotorua Hockey Trust & BOP Hockey Association
Total loan guarantees

	Council		Group	
	Actual 2022 \$'000	Actual 2021 \$'000	Actual 2022 \$'000	Actual 2021 \$'000
Rotorua Hockey Trust & BOP Hockey Association	350	350	350	350
Total loan guarantees	350	350	350	350

The Council operates a scheme whereby sports clubs are able to construct facilities (eg. club rooms) on reserve land. The clubs control the use of these facilities and the Council will only gain control of the asset should the club vacate the facility, or defaults on the Council-guaranteed loan. Until this event occurs, these assets are not recognised in the Statement of Financial Position.

As at 30 June 2022 there is one facility with a book value of \$350,000 (2021: one facility, \$350,000).

EVENTS AFTER BALANCE DATE

LAND AT 283 CLAYTON ROAD

On 25 August 2022 Council declared that land at 283 Clayton Road, being Lot 29 DPS 131 was surplus to requirements and to be disposed of using an expression of interest process.

DEVELOPMENT CONTRIBUTIONS

On 25 August 2022 Council adopted a Development Contributions Policy with effect from 1 September 2022 with implementation date of the policy of 1 December 2022.

RESERVES PROPOSAL

On 25 August 2022 Council approved a Strategy, Policy & Finance Committee recommendation to dispose of some reserves sites in Rotorua and enable these to be used for housing, with any proceeds to be used for reserves network improvements. Following the 2022 Local Government elections, the incoming Council, at their meeting held 10 November 2022, reversed this decision.

THREE WATERS REFORM

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which establishes four publicly owned water services entities and sets out their ownership, governance and accountability arrangements.

The establishment date is 1 July 2024, or earlier by Order in Council. This Act received Royal Assent on 14 December 2022.

- The Water Services Legislation Bill, which will provide for the transfer of water services assets and liabilities to the water services entities, and is currently before Parliament.
- The Water Services Economic Efficiency and Consumer Protection Bill, which will provide the economic regulation and consumer protection framework for water services. It is currently before Parliament.

On 13 April 2023, the Government announced its intention to increase the number of water services entities and to stagger their establishment dates, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. On 16 June 2023, the Water Services Entities Amendment Bill was introduced to Parliament to amend the Water Services Entities Act 2022. Until the Bill is passed, the establishment date remains 1 July 2024, or earlier by Order in Council.

The reform programme plans to transfer the three-water delivery from the 67 councils to four Water Service Entities (WSEs). In June 2021, the Government announced the proposed regional boundaries for each WSE which would manage the assets for the country. The Council would belong to Entity B, which covers the Central North Island. The WSE's will be independent with a separate Board of Directors and Councils would have no shareholding and no financial interest.

A preliminary position on the Programme was released by Council that largely agrees with the drivers and need for change but noted a number of concerns to be addressed. A working group will be formed by the Government to consider governance and accountability arrangements for the entities in response to concerns expressed by Councils.
29 Events after balance date

Following the announcement by the Local Government Minister on 27 October 2021 regarding Central Government proceeding with the three waters service delivery reforms using a legislated "all in" approach, Council continues to recognise its three waters assets at 30 June 2021 in accordance with the accounting policies.

There has been no adjustment in these financial statements to reflect the expected future transfer of assets to the new water entity. It is expected Central Government will develop details around the mechanism for the transfer of the water assets and this will be completed prior to 1 July 2024. As further details are established this may require adjustments to Council's three water assets either in respect of disclosure or measurement.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026.



Independent Auditor's Report

To the readers of Rotorua Lakes Council's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of the Rotorua Lakes Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on pages 8 and 19 to 30:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary service performance.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 27 September 2023.

Our auditor’s report on the full annual report also includes an emphasis of matter paragraph drawing attention to development in the Government’s water services reform programme which will affect the District Council in future years. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities’ establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the District Council as outlined in note 29 of the full annual report remains uncertain until the relevant water services entity’s establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved. This matter is disclosed on page 30 of the summary financial statements.

Council’s responsibility for the summary of the annual report

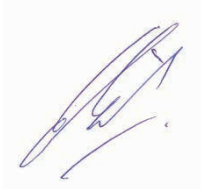
The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor’s responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council’s debenture trust deed, Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
11 October 2023



ROTORUA
LAKES COUNCIL