



SUMMARY
Annual
Report
2021

ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua



Progress & Highlights 2020/21

- ☀ Council adopted 2021-2031 Long-term Plan to address unprecedented challenges and move the district forward
- ☀ Establishment of Emergency Housing Taskforce-cross government collaborative approach
- ☀ Climate Action Plan adopted
- ☀ Homes and Thriving Communities Strategy completed and adopted
- ☀ Lakefront stages opening and cultural foundation funding obtained
- ☀ Forest work completed
- ☀ Aquatic centre 50m pool refurbished
- ☀ Completion of the LED streetlight replacement programme leading to lower maintenance and power costs
- ☀ Securing funding for “shovel ready” projects and commencement of transport and stormwater projects to support developments in Eastside
- ☀ Completion of additional water supply reservoir at Kaharoa
- ☀ Godzone Event
- ☀ Playground renewals
- ☀ Waikawau Reserve Management Plan partnership
- ☀ The Bike Ready cycle skills training programme was delivered to over 2,600 throughout the year (primarily in schools)
- ☀ Implementation of Innovating Streets trial project in streets around Lynmore School has already seen speed reduction on both Owhatiura Drive and Larcy Road, people reporting feeling safer crossing roads and 25% of those surveyed are walking or biking to school more and further than before
- ☀ \$5 million dollar funding provided by Crown Infrastructure Partners for Eastside connectivity projects. Work underway on Vaughan Road and Wharenui Rd, including forest shared paths
- ☀ Alcohol impairment education provided to over 150 people, with 96% of attendees not re-offending since the course
- ☀ Rotorua Museum Te Whare Taonga o Te Arawa granted \$4.1 million funding

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He Mihi Welcome

E ngā ihi

E ngā wehi

E ngā reo kōrero o te ao

Tēnā koutou katoa

To Inner Strength

To Internal Wonder

*To the many languages
across the world*

We greet you.



Te Ngako o tēnei Pūrongo

About this report

This annual report covers the performance of Rotorua Lakes Council Group for the period 1 July 2020 to 30 June 2021.

Rotorua Lakes Council Group includes the council organisation and council-controlled organisations (CCOs).

The report reflects success and the challenges that Council has faced in delivering against year three of the Long-term Plan 2018-28 and our progress against Rotorua Vision 2030. It also includes a snapshot of our performance (both highlights and challenges), our progress and expenditure.

The group is required by legislation to produce both a summary annual report and a full annual report.

Audience for this report

This report is intended to provide important information to a broad range of stakeholders including the Rotorua community, local businesses, non-government organisations, Council partners and other government departments and agencies.

It also provides the staff of the Rotorua Lakes Council with information on how well we have performed over the year and how their efforts have contributed towards achieving the vision.



He kupu nā te Manukura Mayor's Message

E ngā iwi puta noa i tō tatau rohe o Rotorua, Tēnā tatau.

I am pleased to present the Rotorua Lakes Council Annual Report (report) for 2020/21. This report rounds out year three of the Long-term Plan 2018-2028 and is also my last, having announced in July that I shall retire as Mayor of our wonderful district at the next election in October 2022.

Leading into election 2022, Council have been faced with and are working on how the people of Rotorua should be represented by the leaders of the district. A key consideration to this review was the decision made in May 2021 to establish a Māori ward. The recommendation came from Te Tatau o Te Arawa, the board established to give effect to the Council's partnership with Te Arawa. This followed consultation with Te Arawa, resulting in support for establishing Māori wards. Finalisation of the review will be completed by April 2022, in preparation for the election period (July to October 2022).

The only constant presently for local government appears to be the requirement to work with change. Reform is the order of the day and all these reforms will have a major impact upon how Council's across the country will operate, lead and serve their communities going forward. Whilst not a lot of direction or certainty is available yet, our Council must stay on top of these reform topics including local government reform, Resource Management Act reform and the Three Waters reforms.

And just when the district felt that the COVID-19 pandemic had been put behind us, COVID Delta reared its head. The severity of the Delta strain and the race to reach adequate vaccination rates has made us all rethink the way we do business, interact with one another and focus on key priorities.

In a turbulent period of the world's history, our district has managed to do some great things. A highlight has been the progress of transformational projects, including completion of the new memorial plaza at the Lakefront and opening of the Lakefront boardwalk, the 50-metre pool redevelopment at the Aquatic Centre, installation of Te Ahi Tupua, and the opening of Moerangi Forest entrance Te Pūtaki o Tawa to name but only a few. These projects strongly support our commitment to community wellbeing- economic, social and cultural.

We have not lost sight of our greatest challenge; our housing crisis. We are proud of the way our district has worked together to ensure that Central Government is not only well appraised of our challenges, but is joining us at our table to assist with solutions that are designed for Rotorua by Rotorua.

This collaboration has resulted in managed and supported accommodation being made available to our most vulnerable, our children, our mokopuna, Placing families in like-minded accommodation while efforts continue to build more housing. Families are not here by choice. Market failure in the housing sector, a lack of development over multiple decades and over-complicated resource management act requirements are all factors that have contributed to what is now mission critical for the district and our future housing needs.

Everybody agrees that the current motel type accommodation is not the long-term solution for housing. We need safe, suitable homes for people, for whānau, and that is what we need to really focus on from here. These first steps are the building blocks to addressing the long-term housing pipeline challenges that we need to solve here in Rotorua and I will continue to strongly advocate and work with the Government to gain those solutions for our community. Working in partnership has been and will remain the way to get this done.

Furthermore, Council has managed to secure \$55m funding for Rotorua to support iwi housing aspirations and the District's economic recovery. This significant funding for roading improvements and infrastructure will help to unlock land for housing. This is a big boost towards positive outcomes for our District- it will help stimulate the local economy by providing work and jobs and will enable progress towards much-needed housing, strongly supporting Rotorua's Build Back Better economic recovery. The funding will enable a series of intersection upgrades along Te Ngae Road and stormwater construction that will also support Ngāti Whakaue Tribal Lands' plans for housing at Wharenui Road.

The ongoing investment in Rotorua shows confidence in our District and highlights the value of not only having a cohesive vision and direction that we have stuck to, but also of our concerted efforts to have genuine relationships and partnerships with Central Government and key stakeholders like iwi. These are key to confidence in our District and what we are trying to achieve.

Through the efforts of many, I am proud to say that the Council is in a good position; supported by a strong framework of key strategic plans and partners, who are working together to help us achieve the goals of the Rotorua 2030 Vision.

I would like to thank and acknowledge Chief Executive Geoff Williams and his staff for their ongoing hard work and dedication to making a difference for our community.

I also thank my fellow elected members – councillors, community board members and Te Tatau o Te Arawa, for their ongoing support and commitment to achieving the aspirations of our District.

Mā te mahi tahi, kia tutuki ai ngā moemoeā. Working together, we can achieve our aspirations.



Hon Steve Chadwick JP

Rotorua Mayor



Mai i te toihautū CE's Review

Ngā mihi manahau.

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.


COVID and the emergence of the Delta strain has really tested the way the organisation operates and the way in which we must support the increased expectation for Council to show a strong leadership role in meeting our community's needs.

It is difficult to capture all of what our organisation has achieved in this challenging year and to do justice to all of the progress. However I do have a few key milestones that stand out, highlighting the depth and breadth of our organisation's efforts to strive for Rotorua to be the place of choice for our people, to live, work, play and invest.

This year Council signed an agreement with CNI Holdings Limited and Te Arawa Lakes Trust (TALT) to work together to determine a new long-term solution for discharge of wai tātari (recovered wastewater). As a result of the agreement, approval was sought from the Environment Court to withdraw current consent applications relating to the proposed upgrade of Rotorua city's wastewater treatment plant, and proposed discharge of wai tātari to Te Rotoruanui-a-Kahumatamomoe (Lake Rotorua) via a culturally designed land contact bed. In the meantime, CNI has generously offered the temporary use of a set area of land within Whakarewarewa Forest, while work continues towards developing a long-term solution that will not include use of the forest land.

Rotorua does not sit on its hands and wait for a solution to land, we drive tenaciously towards achieving solutions that are best for Rotorua. This has been evidenced through our collaboration with Central Government in the formation of the all-of-government taskforce to better manage the emergency housing situation. The subsequent roll out of managed and supported motels has assisted families into temporary accommodation whilst longer term solutions, such as fixing the housing shortage, are developed.

We also commenced reviewing the way a future council can be established. This started with the introduction of a Māori ward and the subsequent representation review.



This piece of work is still underway. In working towards a model that is fit for purpose for Rotorua we have run up against barriers created by the existing legislative framework of the Local Electoral Act. We are pursuing a local bill, and if successful it will grant Rotorua the right to implement a representation model based on the principles of the Rotorua Township Agreement and Te Tiriti o Waitangi.

Since 2015 we have been making significant improvements to the District's infrastructure including how key network infrastructure is delivered sustainably into the future. A key decision made back in July 2020, was to enter into a 10-year collaborative contract with a consortium for the delivery of our wastewater services. With the goal to ensure a stable, reliable and safe network, Council agreed to contract a consortium for the provision of wastewater related services, including operation of wastewater treatment plants and network maintenance and renewal. This provides certainty for our community; certainty of delivery; and quality and maintenance of the District's wastewater services network.

Another highlight was the adoption of our Climate Action Plan in February 2021. The Climate Action Plan sets out a range of targets and actions to address climate change for the Rotorua District. The aim is to ensure Rotorua is well placed for national changes towards a low carbon economy, and to ensure our community is resilient and able to adapt to climate changes that may be unavoidable. Many Council actions relate to infrastructure and are already underway. The plan identifies actions we can take to mitigate (reduce) the emissions created in our District and proposes emissions reduction targets.

The setting of the Council's key priorities in the Long-term Plan 2021-31, (housing, community safety, economic development, climate and resilience, and infrastructure) has set the direction for the organisation's delivery going forward. All aspects of the Council operations have been aligned to the key priorities by way of setting clear outcomes to progress.

These are unprecedented times and I want to thank the staff for their efforts in readying themselves and our organisation to support our communities through our essential services and the work we have continued to deliver from both our offices and homes. My special thanks to Mayor Chadwick and the elected members who have worked tirelessly to represent the views of the community.

I look forward to the new challenges that await us in the coming year as the world looks a little different, yet again, with mandated vaccines and vaccines passes.

Despite needing to change how we work, we will remain focused on working with our community and partners to ensure the Rotorua Vision is achieved.



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.



Rotorua Lakes Community Board

From left to right: Phill Thomass (Chair), Nick Chater (Deputy Chair), Sandra Goodwin, Jennifer Rothwell, Cr Tania Tapsell.



Rotorua Rural Community Board

From left to right: Shirley Trumper (Chair), Ben Hollier (Deputy Chair), Bryce Heard, Sarah Revell, Cr Fisher Wang

Te Tatau o Te Arawa Te Arawa Partnership Board

Rotorua Lakes Council has in place a range of mechanisms which collectively provide opportunities for Māori to contribute to council decision-making processes, giving effect to schedule 10, section 35 of the Local Government Act 2002.

Te Tatau o Te Arawa is the board which represents the collective interests of Te Arawa under the Te Arawa partnership agreement with Rotorua Lakes Council. The board of trustees comprises 14 members, representative of a cross section of Te Arawa stakeholders including koeke (elders), Ngāti Whakaue, Te Arawa iwi and hapū, land trusts and incorporations, pan-Te Arawa entities and rangatahi (youth).



Te Tatau o Te Arawa

From left to right: Te Taru White (Chair), Rawiri Waru (Deputy Chair), Eugene Berryman-Kamp, Potaua Biasiny-Tule, Aroha Bray, Eraia Kiel, Te Mauri Kingi, Danielle Marks, Gina Mohi, Dr Kēpa Morgan, Kiri Potaka-Dewes, Geoff Rolleston, Rangitiarua Tibble, Kahutapeka Ututaonga

Te Tatau o Te Arawa was established in 2015, following an 18-month process. Te Arawa (voting age members registered on the Te Arawa Lakes Trust register at the time) elected a board of 14 to represent Te Arawa's collective interests and guide the partnership.

The partnership agreement embodies the intention of Te Arawa and Rotorua Lakes Council to establish an enduring relationship which creates a future that benefits the community as a whole.

Te Arawa and Council committed to the following goals:

- provide a framework to work together towards improving Rotorua;
- provide mechanisms and resources that help Te Arawa to participate in Council policy, planning and other decision-making processes; and
- facilitate the sharing of information to build better understanding that enhances collaboration and strategic thinking about Rotorua's future.

Assist Te Tatau to:

- achieve a Te Arawa 2050 Vision;
- support the council to grow its capacity and capability to effectively and meaningfully engage with Te Arawa hapū and iwi; and
- realise opportunities (that arise from time to time) that both parties agree are mutually beneficial.

Assist Council with its decision-making and other processes, exercise of functions, and exercise of powers by meeting five objectives:

- help Council meet its Rotorua 2030 commitment to effectively partner with Te Arawa;
- improve the delivery of Council's legal and statutory obligations to Māori;
- strengthen Te Arawa's participation in Council decision-making;
- identify strategic opportunities to work closely together for the betterment of the Rotorua district; and
- build iwi capacity and capability to partner with local government.

Other mechanisms providing Māori input into council decision-making include Te Pūkenga Koeke o te Whare T`aonga o Te Arawa, a group of Te Arawa kaumatua supporting Rotorua Museum decisions; Ngāti Whakaue Gifted Reserves Protocol which provides input into decisions or changes to the status of gifted reserves; and the Kauae Cemetery Committee which advises on operations, policies and procedures for the Kauae Cemetery.

The Pukaki ki Rotorua Charitable Trust ensures the safe-keeping, conservation and maintenance of the taonga Pukaki; and the Wakā Taua Trust has the same purpose, for the historic Te Arawa Waka Tauā and shelter at the Lakefront.

The Council has a number of individually tailored memoranda of understanding in place with various hapū of the district.

Tirohanga Whakamua 2030

Vision 2030

Koinei tō tātau kāinga. Ko tātau ōna tāngata.

Nā tātau tonu i ora ai te ahurea

Māori me ōna āhuatanga katoa.

*He iwi auaha tātau e tuku nei i tā tātau
e ako nei.*

E kokiri nei tātau i te angitu,

i te hihiri me ngā rerekētanga maha.

*E kaha tautoko nei tātau i whakapūmautanga
o te taiao.*

Mō te katoa a Rotorua...Tatau tatau

This is our home, we are its people.

*We're the heart of Te Arawa and a centre for
Māori culture and expression.*

We're innovative and we share what we learn.

*We're driving opportunity, enterprise
and diversity.*

*We're supporting a legacy of sustainability
for our environment.*

Rotorua is a place for everyone.

Tatau tatau - We together.

Created in 2013, the District's long-term vision created an enduring pathway for the Rotorua District, driving everything we do as we work with our community to achieve a positive future. It followed a call for change to ensure the growth and development of the District and established long term goals as well as setting the direction for council work, services and planning.

A refresh following the 2016 elections, 'The Rotorua Way', reflected the need to continue to develop the Rotorua District in a way that responds to growth but at the same time retains and works to enhance the unique character of our place that is special to us all.

A focus on what makes Rotorua special – the District's active environment, our strong Te Arawa culture and manaakitanga, the fantastic lifestyle we can enjoy and the diverse economic opportunities that exist here – highlight areas for opportunities and transformational change that point us towards achieving the goals of the vision.

Vision 2030 and the Long-term plan

The Long-term Plan 2018-2028 is our funding and delivery plan, setting out how we will deliver and fund what we have set out to achieve. The Council's commitment to the community is to deliver services and projects that contribute towards the vision in a financially prudent way. The challenge is to balance affordability in the present while meeting the demands for future progress.

People
Culture
Place

Vision 2030 and community outcomes

Our community outcomes are our vision 2030 goals.



He hāpori pūmanawa | A resilient community

Inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected



Kāinga noho, kāinga haumaruru | Homes that match needs

Quality, affordable homes that are safe, warm, and available



Papa whakatipu | Outstanding places to play

Recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us



Waahi pūmanawa | Vibrant city heart

Our inviting and thriving inner city reflects our unique heritage and lakeside location



Whakawhanake pākihi | Business innovation and prosperity

We boast a diverse and sustainable economy energised by our natural resources and innovative people



He huarahi hou | Employment choices

We are a prosperous connected community; growing our education, training and employment opportunities



Tiakina to taiao | Enhanced environment

We are known globally for our clean, natural environment, air quality and healthy lakes

He aronga poto: Te whakahaere pūtea

At a glance: Financial performance

	Actual	Budget
Revenue – from rates	\$101.4m	\$102.0m
Revenue – from other sources	\$42.3m	\$58.5m
Revenue	\$143.7m	\$160.5m
Expenditure	\$155.2m	\$133.5m
Operating surplus / (deficit)	(\$11.6m)	\$27.0m
Capital expenditure	\$67.4m	\$117.1m
Net debt	\$235.4m	\$269.6m
Credit Rating- Fitch International – March 2021	AA-	
Outlook	Stable	

The 2020/2021 financial year saw some unprecedented challenges faced by our organisation, particularly with the economic recovery, operational impacts and uncertainty from COVID-19 lockdowns and restrictions. Some key projects were delayed either as a result of COVID-19 supply chain and lockdown issues, or for further investigation work. This resulted in the deferment on the recognition of funding received, impacting the operating result adversely.

Furthermore, the financial year deficit of \$11.6m reflects significant non-cash transactions connected to year end and asset accounting treatment, some of these are highlighted below:

Some challenges were new, including:

- i. The delay in subsidy and grant revenue recognition due to delays in the underlying capital projects;
- ii. Increased disposal of assets connected to the revaluation of roading and water asset classes;
- iii. Commencement of the Trility wastewater contract for upgrading and maintenance services;
- iv. Holidays Act remediation resolution and payment commencement; and
- v. Increased consultant costs to meet the demand in building and consenting as well as towards the build back better initiative and housing strategy.

Whilst other issues have remained more persistent including:

- i) The impact on depreciation costs as a result of the revaluation of our asset base
- ii) The need to fund additional inner-city security; and
- iii) Loss of event-driven fees with moving alert levels over the financial year.

Liquidity was once again a key focus and in 2020/2021, a net debt increase of \$72.8m was planned. However, actual net cash and borrowings at year end was \$34.1m lower than budget at \$235.4m due to the extended timings on key capital projects such as Sir Howard Morrison Performing Arts Centre, Rotorua Museum and Aquatic Centre.

Even though the net debt is lower than budget, Council was still able to achieve 58% completion of CAPEX projects. This included achieving 93% of renewals projects and 48% of enhancement projects. This was despite lockdown restrictions being in place that resulted in delays in supply of components or by resources not able to be fully committed.



Te Whakahaere Pūtea Managing the money

Rotorua Lakes Council spent \$155.2 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, \$67.4 million was spent on capital works to renew assets or create new facilities and amenities for our Rotorua of the future.

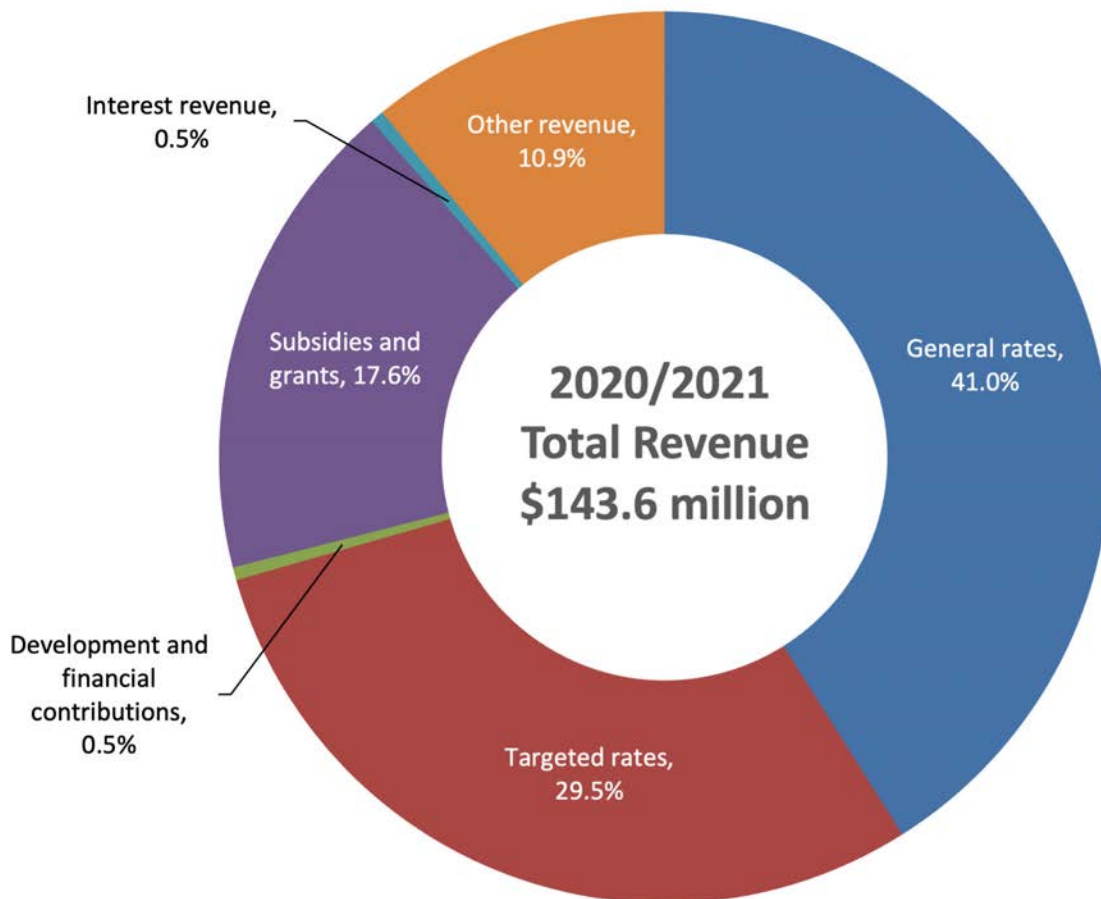
We manage \$1.3 billion worth of assets including roads, bridges, parks and playgrounds, halls, land, recreation and leisure facilities, drains, water and wastewater infrastructure and libraries and parks.

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

Principal expense categories include construction, maintenance, salaries and wages, grants to community groups and many other community services. Services include the library, Aquatic Centre, emergency management and planning and regulatory programs.

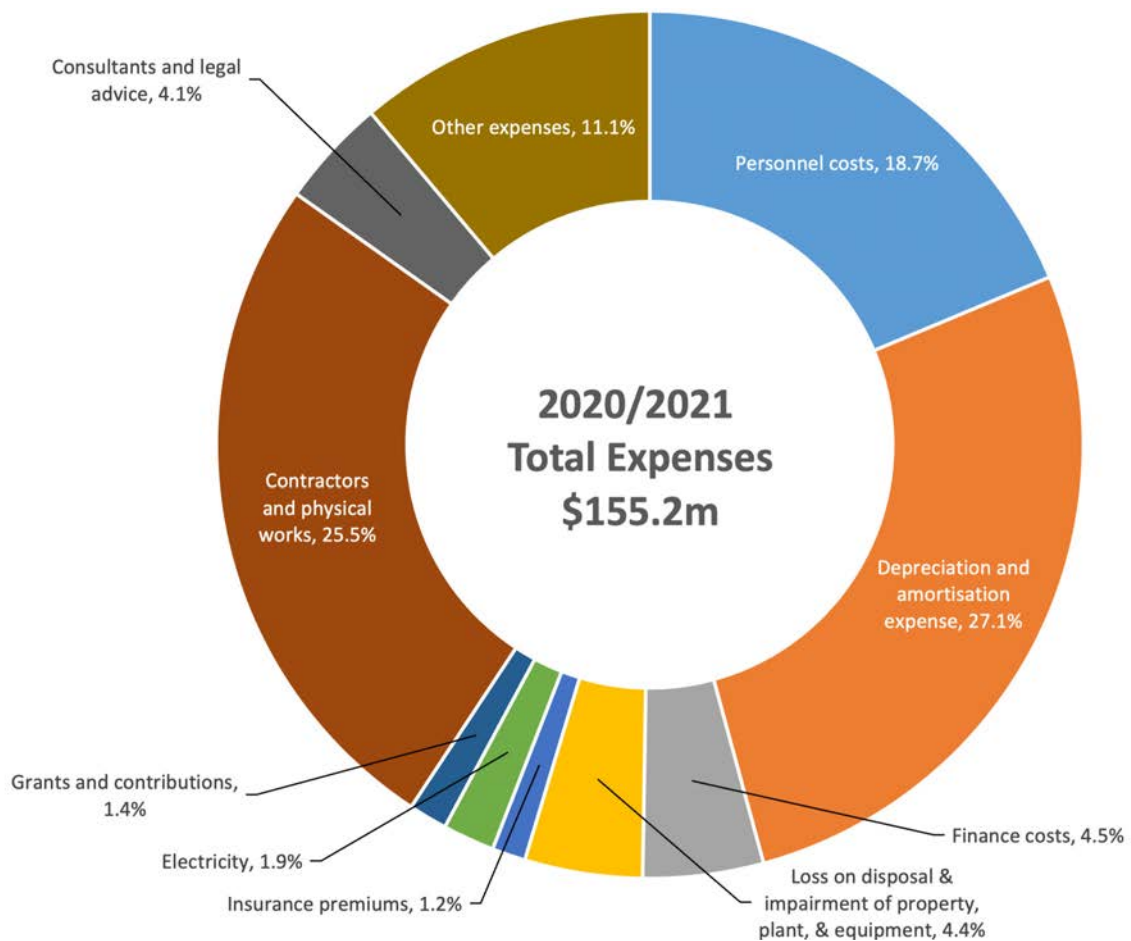
Where did our money come from?

This year income from rates (general and targeted) contributed \$101.4 million or 71% of total operating revenues (2019/20 \$96.9 million; 71 %). In addition to this, income was generated from fees and charges \$5.6m; 4%, (\$5.3m: 3.9% 2019/20) and grants and subsidies \$25.2 million; 17.6%, (\$22.5 million: 16.4% 2019/20).



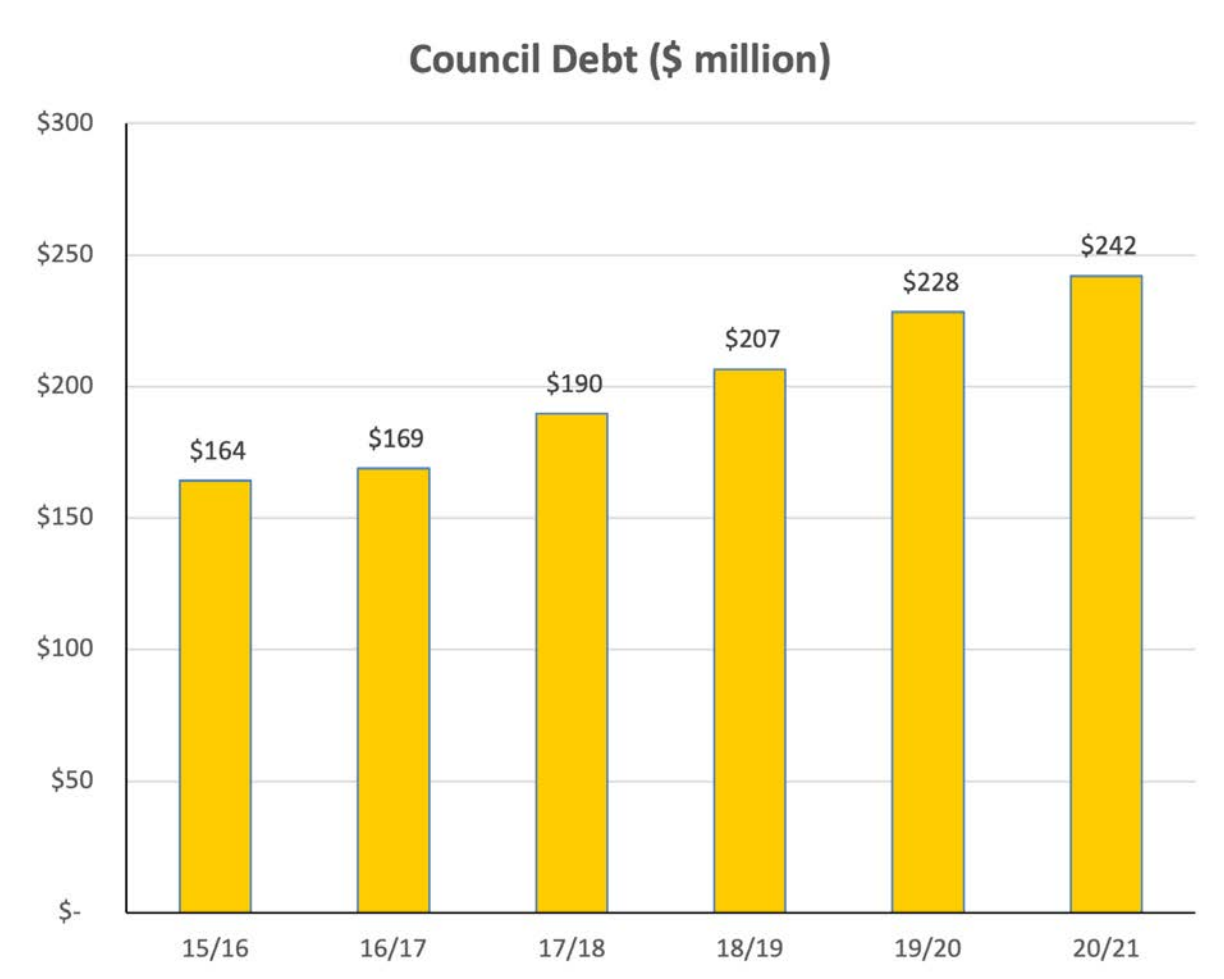
What was money spent on?

Total operating expenditure for 2020/2021 was \$155.2m with breakdown as below.



Council Debt

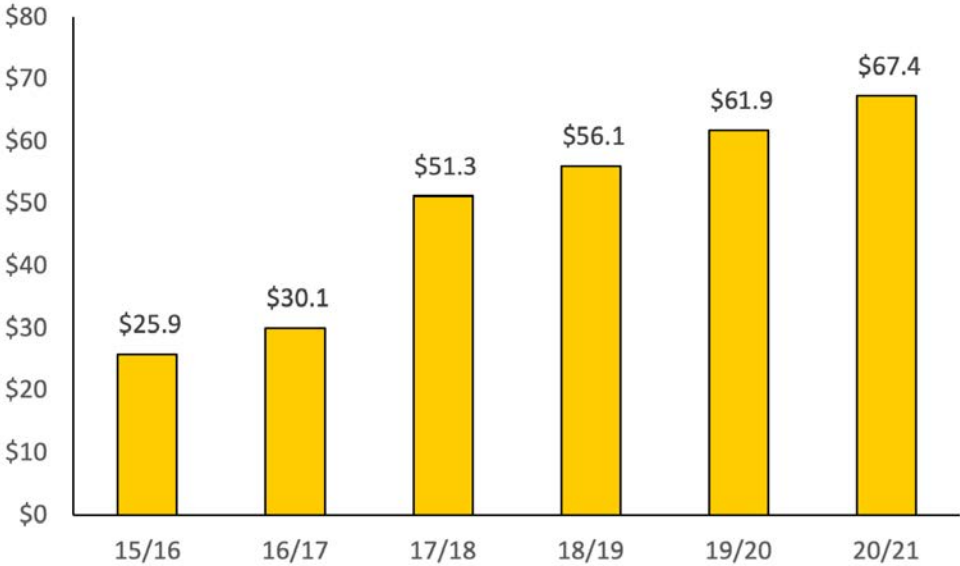
Debt increased by \$13.5 million from the previous year to \$241.7 million. The Council uses borrowings so that the costs of new facilities, infrastructure and associated improvements are spread over the multiple generations who will benefit rather than loading all the costs to one generation. For the 2020/21 year, the increase in debt was largely driven by the continued investment in major capital expenditure projects.



Capital Expenditure

Overall we spent \$67.4 million on projects that either renewed our assets (\$27.6m) or enhanced their level of service (\$39.0m). This was \$49.7 million lower than our planned budget of \$117.1 million and was largely driven by extended timings on key projects such as the Lakefront, Museum, Aquatic Centre and the Sir Howard Performing Arts Centre 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 to the right.

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 20/21	Budget
Rotorua Museum	\$1.9m	Under budget by \$16.1m due to extended timetable for additional geothermal and foundational testing.
Sir Howard Morrison Performing Arts Centre	\$8.1m	Under budget by \$11.9m due to extended timetable resulting from asbestos and structural issues identified.
Aquatic Centre	\$3.4m	Under budget by \$2.3m due to delay in phase two, with the 50m pool delivery impacted by COVID-19, which was completed in March 2021.
Lakefront Development	\$14.3m	On budget with good progress made and phase one opened to the public in June.
Whakarewarewa Forest	\$1.0m	Under budget by \$5.2m due to on-going discussions with Iwi and relevant stakeholders on final design.
Sewage Renewal	\$6.1m	Tracking ahead of budget due to spend prior to commencement of Trility contract in August 2020 to ensure system in agreed quality/position at beginning of contract.

Te tūhono i te tirohanga ki te mahi

Connecting vision to action – “progress”

Key projects identified in the Long-term Plan 2018-2028 enhance Rotorua’s strengths and offer opportunities to bring about further change, encourage future investment and raise the quality of life within our district.

Follow council's progress on its key projects.



Te whakaora i ō tātau taonga

Reviving our facilities

OUR COMMITMENT: Ensure our facilities are modern, safe, fit-for-purpose and meet our needs and our lifestyle.



Te Toitūtanga o te Taiao

Environmental sustainability

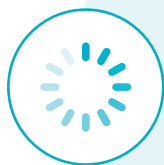
OUR COMMITMENT: Enhance the environment that defines Rotorua; a unique volcanic landscape characterised by lakes, rivers, mountains and geothermal features.



Te Whakawhanake i to tātau Rohe

Growing our district

OUR COMMITMENT: Increase the resilience and vibrancy of our communities and villages by ensuring our land, housing and infrastructure is in the best condition it can be to meet the present and future needs of growth.



Tuia te kawē, tairanga te kawē, ko te kawē o te haere

Keeping the foot on the pedal of progress

OUR COMMITMENT: Plan for future progress by developing bold visions that continue to enhance our special district and position us for future investment based on our strengths: environment, lifestyle, culture, opportunities.



Rotorua Museum Te Whare Taonga o Te Arawa

Te Whare Taonga o Te Arawa is a locally and nationally significant building with a Category 1 New Zealand Historic Places Registration. It is sited in a Waahi Tapu area and on geothermal ground. The building was closed in November 2016 following cracks appearing post the Kaikoura earthquake, and remained closed after a Detailed Seismic Assessment (DSA) found the building to be earthquake prone.

A project to strengthen and restore the building has been underway since funding was approved in the 2018 Long Term Plan. The project has made significant progress securing \$53.5m in funding (RLC accounts for 28% of the funding allocation), progressing detailed building investigations and mapping, multi-disciplinary design through to completion in most areas, gaining resource consent and undertaking preparatory work such as asbestos removal in the basement and heritage protection work.

Earthquake strengthening and redevelopment of our whare taonga is vital for both our community identity and pride, as well as a visitor attraction. Council is committed to strengthening and restoring our world renowned Museum for future generations.

The project is in the last stages of detailed design of zone 3 the foyer. This is the most complex and challenging area to find the right solution for unreinforced masonry, a heavy roof and poor ground conditions. Further investigations are underway including geotechnical and invasive testing of the structure, with additional expertise from some of the best structural engineering minds in the country. Note that zone 1 the south end has already been through detailed design, building consent and construction partially completed.

It is expected the main construction phase of the project will start in the second half of 2022 with completion of the restoration and earthquake strengthening in the last quarter of 2024.

Community and iwi engagement has commenced and will continue through until July 2022, with the Master Plan being completed by December 2022. Funding for the opening exhibitions is being sourced from national and local funds and grants, as it is not included in Council funding for the building project. An Exhibition Design Company will be engaged shortly who will help us turn our engagement knowledge and learnings into the required Master Plan in order for us to establish developed and detailed designs, and undertake exhibition construction and installation. Exhibitions are planned to be open to the public in 2025.

Although the building is closed, the museum continues to operate, albeit in a significantly altered form. Taonga continue to be cared, visited and preserved, school groups continue to be engaged through the Museum's successful education programme and pop up museum activities continue to occur.



Aquatic Centre

Rotorua is surrounded by lakes and rivers and it is very important that our children and community have access to safe, fun aquatic facilities for learning about water safety, building water confidence and the wellness that water based sports and activities add to our lifestyle.

The Rotorua Aquatic Centre:

- Has the only outdoor heated (geothermal) 50m pool in the country
- Is popular for training camps and competitions
- Attracts 350,000 visitors a year
- Provides more than 11,000 learn-to-swim lessons per annum

Through the 2018 – 2028 Long Term Plan, Council developed a phased approach to the redevelopment of the Centre. The redevelopment is being guided by a conceptual masterplan that includes:

- Deepening and renovating the 50m outdoor pool and outdoor changing room
- Renovating the indoor Pool Hall with a new roof, new external cladding and glazing, ventilation and fire systems and improved foyer and indoor changing areas.
- Future extensions to services with new learn to swim pools, play spaces and hydro slides and a bombing pool.

Work to deliver the masterplan will continue through the 2021 – 2031 Long Term Plan following substantial public support for the ongoing redevelopment of the centre.

Renovation of the 50m outdoor pool began in August 2020 and was completed in March 2021. The renovation included:

- A depth increase from 1.1 metres to 1.4 metres to meet internationally recognised regulations for competition pools
- Installation of a pool liner (with new lane markings) to address previous leakage issues
- Installation of a movable bulkhead, allowing the pool to be used as a single 50m pool or be split into two 25m pools
- All new water piping and filtration plant
- Installation of an attractive, raised composite decking surround
- A Poolpod accessibility lift

Significant design work continued through the 2020-21 year with the outdoor change areas redesigned to include more showers and toilets, re-instatement of the under-seat heating system, improved accessibility change, toilet and shower provisions, improved floor drainage and new floor and wall coatings.

Detailed design of the pool hall, foyer and indoor change facilities has also progressed over the last year. The new ETFE skylight roof supplier has been chosen and is working with the design team on the full roof replacement programme. Construction of the main pool hall works is scheduled for the winter of 2022, with the future extensions of services to occur in the following year.



Sir Howard Morrison Performing Arts Centre

The vision for the Sir Howard Morrison Performing Arts Centre is to revitalise this iconic facility into a stunning, innovative hub of activity in the heart of our city, and to support the development of a vibrant performing arts sector for our District.

Once complete our community will have an outstanding regional performing arts centre celebrating the unique stories and heritage of our place. The 950+ seat theatre will attract national and international shows to our doorstep. The flexible black box theatre will accommodate a wide variety of performance genres and stage set-ups. New rehearsal studios will be able to double as production rooms. Accessible digital technology will enable us to take local performances to the world, and a significant heritage building will be strengthened and restored in the heart of our city.

Following completion of detailed design and deconstruction works, Hawkins were awarded the main construction contract.

As part of the detailed planning process, a range of significant risks were identified for this project. As work progressed the team uncovered many challenges including far more widespread and severe cracking than estimated. To address these challenges, and deliver a venue that is safe, sound, fit-for-purpose and without legacy issues for the future, Rotorua Lakes Council approved the additional budget required.

Upon completion of the construction the build phase will move into fit-out and operational testing. It is expected that the centre will then re-open to the public from September 2022.



Wastewater treatment plant upgrade

Rotorua Lakes Council, CNI Iwi Holdings and Te Arawa Lakes Trust have agreed to work together towards a new long-term solution for discharge of wai tātari (recovered wastewater).

In response to significant iwi and community opposition to the current proposal to discharge treated wastewater to Lake Rotorua via a land contact bed, CNI has generously offered the temporary use of a set area of land within Whakarewarewa Forest, while work continues towards developing a long-term solution that will not include use of the forest land.

The agreement – Kawenata- Puarenga Catchment of Te Rotoruanui-a-Kahumatamomoe – follows extensive discussion and careful consideration by the parties to find the right outcome for mana whenua and the wider Rotorua community.

As a result of the agreement, the council sought approval from the Environment Court to withdraw the consent applications before the Court, relating to the proposed upgrade of Rotorua city’s wastewater treatment plant, and proposed discharge of wai tātari to Te Rotoruanui-a-Kahumatamomoe (Lake Rotorua) via a culturally-designed land contact bed. In August 2020, the parties submitted a joint memorandum to the Environment Court outlining what has been agreed and the Court agreed to that application for withdrawal.

The kawenata has been guided by Te Tūāpapa o ngā Wai o Te Arawa (Te Arawa Cultural Values Framework) and under the agreement, the parties will work to develop a long-term solution.

The parties have agreed to a Sustainable Forest Approach that will include upgrading the Council’s wastewater treatment plant, and the short to medium-term continuation of discharging treated wastewater in Whakarewarewa Forest – with improvements and in a culturally appropriate and environmentally sustainable way. The area of land to be used in the future and after the WWTP upgrade will be reduced from the current 400ha to less than 40ha and the treatment plant upgrade will treat wastewater to an even higher standard than it is now.

The kawenata includes establishing a Puarenga Catchment Reference Group to improve and enhance the mauri of the waters in the catchment. This has now been established and working to its objectives of improving water quality in the Puarenga stream.

While a five-year bridging consent for the current operation of the WWTP has been agreed, a new consent will be applied for the upgrade of the plant by the end of 2021. Council has agreed to the upgrade of the plant and has allocated in the LTP funding to do so over the next three to five years by the time the current bridging consent expires.

We have in place a preferred tender from Trility (as agreed by Council in August 2020) to undertake the upgrade of the WWTP once consent has been granted. It is expected that the contract for the upgrade will be finalised and works will commence in early 2022.



East Rotoiti/Rotomā sewerage scheme

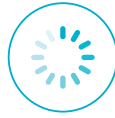
Household septic tanks and other old types of on-site treatment and disposal systems are an important contributor to degraded lake water quality (through leaching of nitrogen, phosphorus and more importantly pathogens). Accordingly, one of the most immediately effective work programmes under a partnering agreement between the Crown, Te Arawa Lakes Trust, the BOPRC and Rotorua Lakes Council is the construction of community wastewater reticulation and treatment schemes (including the Rotoiti/Rotomā scheme).

In 2013 an integrated community steering group (RRSSG) was established. Following considerable effort it arrived at a new scheme concept: a single treatment plant (WWTP) serving the catchments with wide support and broad consensus from the local stakeholders. The concept plan was submitted to Rotorua Lakes Council and was adopted in December 2014.

The project challenges and achievements to date have been significant. Particularly considering the legacy views issues arising from a failed resource consent application in 2012. Achievements to date include:

- A high quality Waste Water Treatment Plant (WWTP) was constructed in 2019 and now operating in full compliance with the resource consent.
- 35km of main trunk reticulation pipelines and major pump stations constructed to connect bothy Rotoma and Rotoiti to the Treatment and now operating.
- Over 200 STEP pre-treatment systems installed and operational at Rotomā.
- Extensive and complicated interaction with multiple Māori whenua owners to reach consent and agreements to install infrastructure on their lands.
- Agreement on the type of pre-treatment systems for East Rotoiti following a long and robust procurement process was concluded in January 2021. A contract to install the systems was approved by Council in June 2021.

The remaining work to complete the scheme (about 25% of the physical works) comprises the installation of the pre-treatment systems at Rotoiti (Biolytix BF2) on some 450 properties is consistent with the scheme's scope that was adopted in 2014, the resource consent conditions and the Heads of Agreement with Ngati Pikiao and WWTP site land owners.



Lakefront redevelopment

A bold vision for the lakefront has been created to enhance this important recreational area for the benefit of locals and visitors. The design creates spaces for recreation, entertainment, cultural experiences, improved visitor operations and commercial operations and will represent our unique cultural identity and tell our stories.

The Lakefront Reserve is a significant recreation and economic asset for Rotorua. In 2006, an upgrade was identified as part of ongoing city development and our District's standing as one of New Zealand's most popular tourist destinations. The plan was not able to proceed as joint funding opportunities did not exist then.

In 2018, a \$19.9 million Government investment from Kānoa – Regional Economic Development and Investment Unit was announced for the project. This funding, alongside \$20.1 million from Council, aims to transform this recreational, economic and cultural resource.

In July 2020, an additional \$1 million investment from Kānoa – Regional Economic Development and Investment Unit was announced to progress work on the cultural design foundation for the project, consisting of artwork, interpretation and design, with local artists creating carved pou, and information panels that will tell the korero history of the area.

Despite the challenges the COVID-19 pandemic created, work on the Lakefront Redevelopment has forged ahead, recognising the benefit the project will have for the community now and into the future through the creation of jobs and investment opportunities.

The first stage of the development (HEB Construction) involved the construction of a new boardwalk, tukutuku bridges, and terracing along the lake edge, landscaping and planting, and the construction of a shared path beginning at the eastern end of the reserve. This stage of work was largely complete by the end of June 2021 and was opened to the public in early July.

The first contract for Stage 2 of the lakefront development (Waiotahi Contractors) was to complete the enabling works for the new playground and new toilet block and involved realigning wastewater pipes, installing new water reticulation and stormwater lines, and preparing the ground for construction of the new destination playground. This work was completed in November 2020 and pre-load to stabilise the ground ahead of construction remained in place until March 2021.

Local company, Campbell Infrastructure was awarded contracts for Stages 2, 3, and 4 of the development in June 2020. This initially involved refurbishing the existing Volcanic Playground- removing some of the old playground and installing new play equipment, seating and picnic areas. This work was brought forward to mitigate the impact of the COVID-19 response and to reduce delays to the overall project.

Campbell Infrastructure then moved onto Stage 4 of the Lakefront Redevelopment in September 2020. What was once just a thoroughfare (previously Memorial Drive) was transformed into a brand new plaza providing a larger variety of parking options for lakefront visitors and space for events and markets. 77 new parking spaces were created, as well as new footpaths, kerbing, landscaping and seating. Infrastructure was also upgraded to improve the management of stormwater in the area. This new space was opened to the public on 1 April 2020.



Campbell Infrastructure then turned their focus to the construction of the much anticipated new playground extension. Once complete the new playground will be three times bigger than the previous playground and will include play equipment for all ages and abilities to enjoy. The playground construction is on track to be complete and open to the public by the end of 2021.

Stage 3 commenced at the end of June 2021. This is the area between the lake edge and the existing playground. Here Campbell Infrastructure is transforming the road and car parks into grass terracing and gardens. The new shared path that has started on the eastern side of the reserve will also be extended through this section of the lakefront. This area is also on track to be complete by the end of 2021.

Work on the western end of the lakefront, including space for commercial activities, is progressing through the detailed design phase. Procurement for architectural services for the new whare waka and potential commercial space is complete with local company DCA Architects to undertake this work. The contract for construction of the new toilet block (located near the new playground) was awarded to local company GRB Construction, with work scheduled to begin in August 2021.

Throughout the year, work has also progressed on the cultural design foundation for the lakefront project. Te Arawa Master Carver and designer Lyonel Grant is leading this design work, which includes three carved pou tumu, a reflection seat, and cultural designs embedded into elements across the reserve including drinking fountains and the half basketball court. The installation of these cultural elements will occur throughout 2021 with additional storytelling elements expected to be in place in coming years.



Whakarewarewa Forest

Whakarewarewa Forest is locally and internationally renowned as an outstanding recreation area for mountain biking, walking, running and events and is an important recreational area for our community. The trails attract an estimated 230,000 people annually for mountain biking alone and between 600-800,000 other visitors every year. Most of this recreation area is also a working forest with recreational use fitting around forest operations.

A master plan to enhance the forest amenity was developed and identified key recreational, cultural and commercial development opportunities, specifically in the Tokorangi block that includes the Redwoods area. The Whakarewarewa Forest Development aims to integrate trails, develop outdoor event areas and picnic spaces, and improve parking and access to the forest.

In October 2018, the Government's Provincial Growth Fund (now Kānoa- Regional Economic Development & Investment Unit) granted \$7.0 million towards the project, driven by strong evidence supporting strengthened economic development and tourism, as well as the benefits of enhanced recreational opportunities. The Provincial Growth Fund grant investment supported Council's investment of \$7.5 million. In June 2020, the Government invested a further \$90,000 in the project to go towards the construction of a new visitor centre in the Tokorangi Forest.

Te Pūtaka o Tawa (The Tarawera Road forest hub) is now complete and was opened to the public in October 2020. The hub was developed to provide an additional recreational access point to the forest, as well as opportunities for new commercial developments. Once only a small gravel car park, this space has been transformed into a brand new hub with capacity for 400+ vehicles, event spaces, brand new toilets and showers, and bike washing facilities. There are now new commercial operators set up at the hub providing coffee, food and bike hire to the ever-increasing number of forest users accessing the forest.

A permanent shelter will be constructed in the Spring to add further value for operators and visitors. Since the hub was opened, seven events have been held at Te Pūtaka o Tawa and more are scheduled over the coming summer.

While parts of the Whakarewarewa Forest Loop have been opened and useable over the last year, it will be fully complete and officially open by early summer in 2021 (including completion of all trail sections, wayfinding, and storytelling).

The Forest Loop is a fun and memorable trail that showcases a classic Rotorua mountain biking experience- redwoods, geothermal features, Māori culture and stunning views. The approximate 30km mountain bike track is suitable for riders with a moderate level of fitness but who might not have the technical skills to tackle tracks that are more challenging. The ride runs clockwise around the forest, across the Tokorangi Face (which overlooks the city), through Te Pūtaka o Tawa, past Lake Tikitapu, through to the existing Te Ara Ahi path on SH5 to connect to the Waipa mountain bike car park.

The existing trail network between the Rotorua lakefront and the forest is also being upgraded to provide a family friendly connection between these places (scheduled to be complete by early 2022).

Council, CNI Iwi Holdings Ltd, and mana whenua (Ngā Hapū e Toru o Ngāti Whakaue and Tūhourangi Ngāti Wāhiao) have worked together to develop a cultural foundation for the Whakarewarewa Forest Project. Moerangi is the korowai (cloak) that wraps around the forest and forms the basis for new branding and signage across the forest projects. It is being gradually transitioned into the forest, starting with Te Pūtaka o Tawa, then the Whakarewarewa Forest Loop and Titokorangi Drive (Longmile Rd). This cultural foundation includes the telling of several stories being shared by mana whenua through artwork, signboards, and a mobile application across the forest.

He aronga poto: Te āhua o ngā Ratonga At a glance – Service Performance

The 2018-28 Long-term Plan arranges Council's services into ten activities, setting 62 KPIs. For this financial year, 58 KPIs have been reported on.

Differing circumstances support the four KPI not measured, as detailed in this section; 60% are achieved and 34% are not achieved with 6% not measured. In comparison with the 2019-2020, 53% KPI were achieved, 42% not achieved and 5% not measured.

The world around us has changed and so has our District. The COVID-19 global pandemic has hit hard and while the number of KPI achieved in 2021 was up on 2020; both these years results were below pre-COVID-19. The disruption of COVID-19 with the lockdown and various alert levels has not affected all activity areas equally. Some activity areas are deemed essential and the disruption was minimal. Whereas in other areas, it has taken some time, following the 2019 Alert Level Four lockdown period to re-establish services to their pre-COVID-19 performance levels. Despite the negative impact on some measures, the COVID-19 pandemic has not adversely affected the ability to provide the reporting.

Rotorua Lakes Council have been proactive and adaptive in their response to the COVID-19 disruption. Council continues to navigate the ongoing COVID-19 crisis and build resilience with business continuity towards the future impacts. As an organisation, Council recognises that people and business areas are still hurting and are going to need ongoing support.

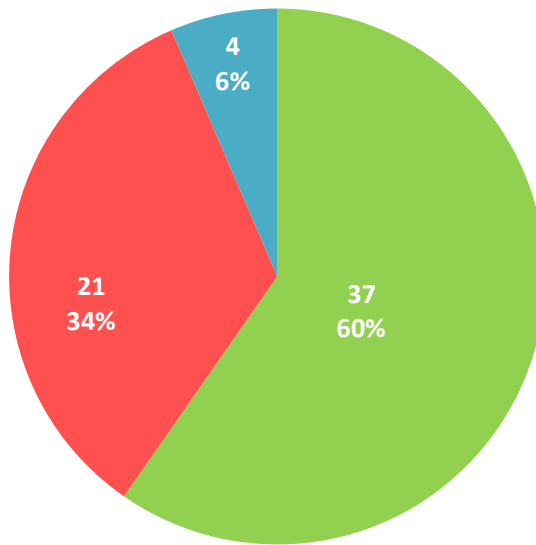
Wellbeings Under The Local Government Act

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.



Performance Targets Summary

■ Achieved
 ■ Not Achieved
 ■ Not Measured

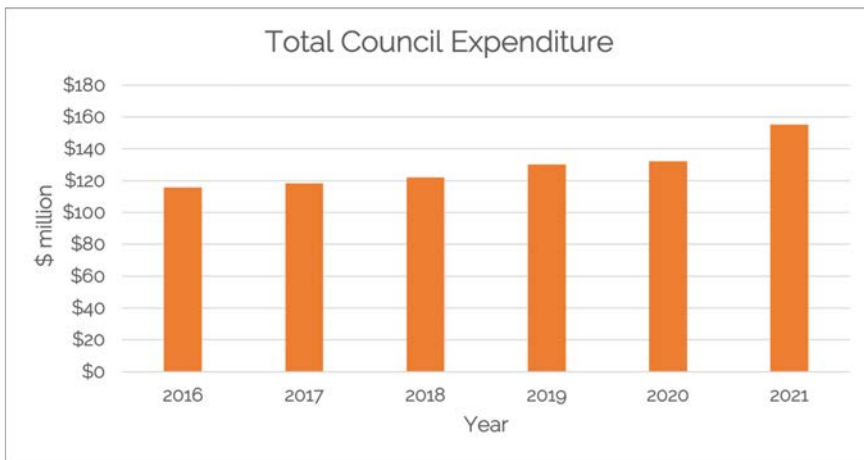


Key Performance Targets by Activity Group

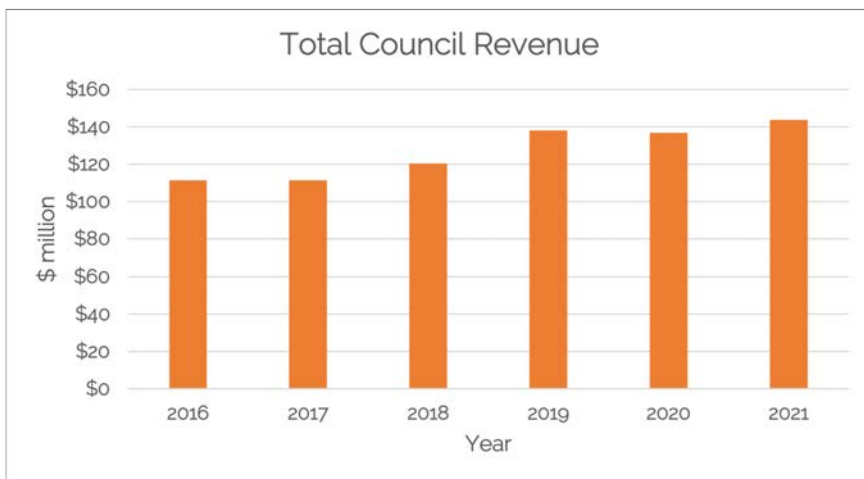


Te Whakahaere Pūtea

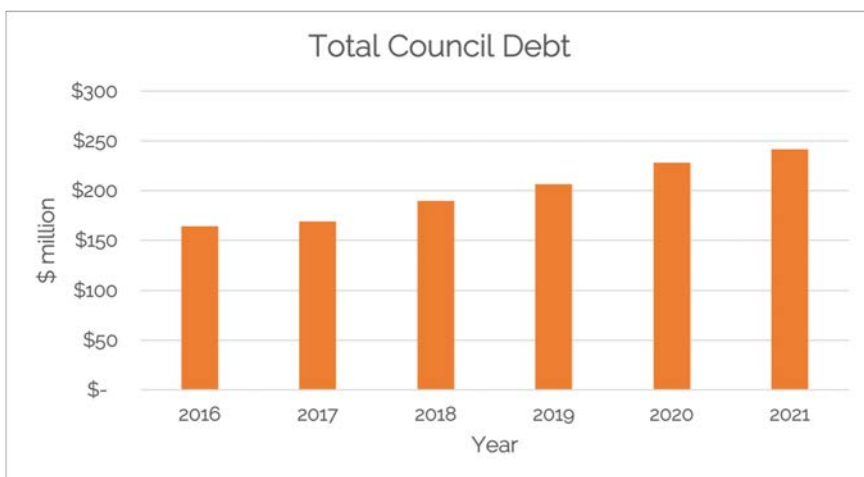
Financial performance



Total expenditure increased as a result of increased inner city security; higher depreciation and loss on disposal following the revaluation of Roding, Water and Sewerage assets; increased consultant fees to meet the demand in building and consenting; and increased impairment following earthquake strength assessment on the Blue Baths building.

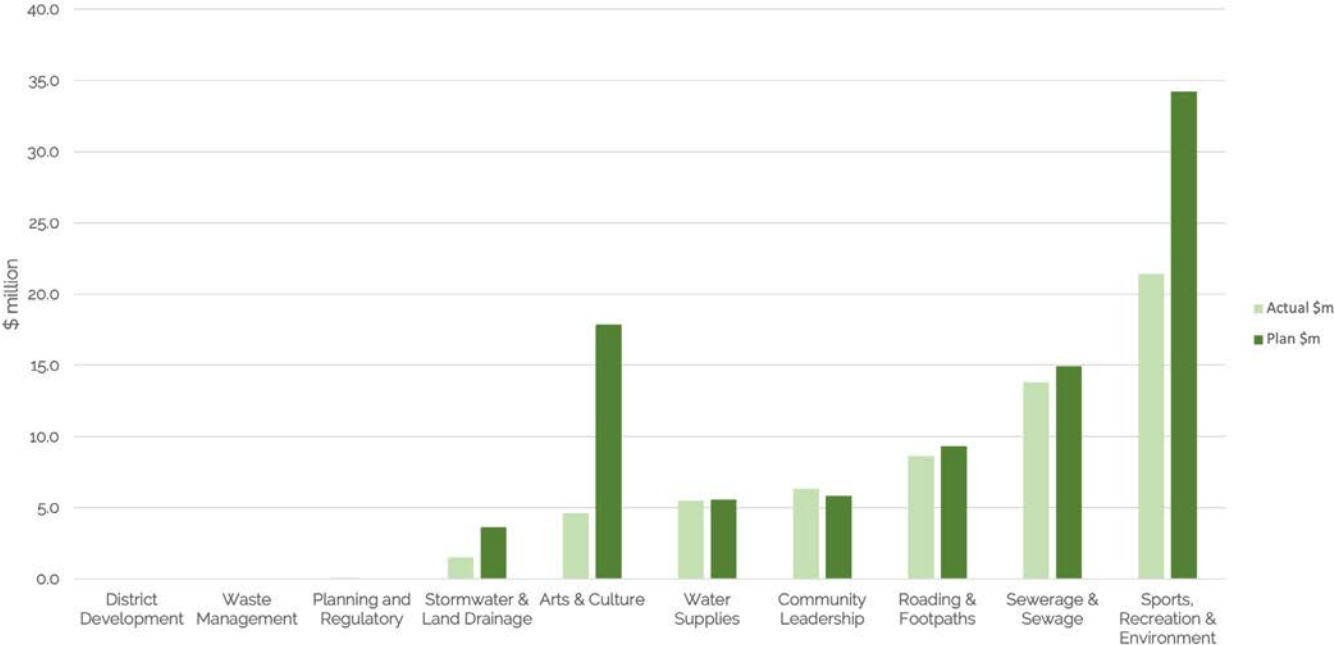


Total revenue increased from 2020 with increases in subsidies and grants, with increases in the Waka Kotahi roading subsidy and operational grants to assist in the economic recovery during COVID-19; increases in fees and charges due to less COVID-19 lockdowns and restrictions during the period; and increased fair value gains in investments held.



The increase in debt was largely due to continued investment in major capital expenditure projects. This debt drawdown was lower than forecast due to a large cash balance held at the beginning of the year.

Capital Expenditure 2020-21 Actual vs Plan \$million



Key variances:

Sports, Recreation & Environment

Two key projects were under budget during the year, due to:

- Aquatic Centre: Driven by the impact of COVID-19 on supply chains the delivery of the 50m pool was significantly delayed which has caused a delay in Phase 2 of the project.
- Whakarewarewa Forest: Ongoing discussions with Iwi and local stakeholders on the final design of the project have delayed the commencement of the project.

Arts & Culture

'Largely driven by deferred spend on the Museum due to additional geothermal and foundational testing requirements whilst the timetable on the Sir Howard Morrison Performing Arts Centre project was extended following the identification of asbestos and structural issues.

Notes to the financial statements

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 2021. The financial statements were authorised for issue by Council on 16 December 2021.

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 16 December 2021.

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

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

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 practice in New Zealand (NZ GAAP).

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

Council's summary annual report complies with PBE Financial Reporting Standards 43 (FRS 43) Summary Financial Statements.

Presentation currency and rounding

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

Changes in accounting policies

There have been no other changes in accounting policies.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

Note	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000

Revenue

Rates	2a	101,383	102,013	96,918	101,279	96,826
Subsidies and grants	2b	25,222	46,306	22,477	26,077	22,477
Development and financial contributions	2c	669	-	796	669	796
Finance income	3	688	134	889	169	346
Other revenue	2d	15,700	12,031	15,803	19,940	22,089
Total revenue		143,662	160,484	136,883	148,134	142,534

Expenses

Personnel costs	4	29,008	27,668	28,683	41,328	42,004
Depreciation and amortisation expense	15	42,036	32,112	32,624	45,143	35,580
Finance costs	3	6,977	8,720	7,866	7,059	7,934
Other expenses	5	77,195	65,033	62,854	67,177	52,594
Total expenses		155,216	133,533	132,027	160,707	138,112
Surplus/(deficit) before tax		(11,554)	26,951	4,856	(12,573)	4,422
Income tax expense	6	-	-	-	(481)	(104)
Surplus/(deficit) after tax		(11,554)	26,951	4,856	(12,092)	4,526

OTHER COMPREHENSIVE REVENUE AND EXPENSE

Items that could be reclassified to surplus/(deficit)

Net change in fair value of hedges	20	-	-	-	-	-
Net change in fair value of investment	20	7,934	-	(657)	-	-

Items that will not be reclassified to surplus/(deficit):

Revaluation on property, plant and equipment	20	98,685	18,245	56,666	102,846	56,339
Revaluation on intangibles	20	46	-	35	46	35
Total other comprehensive revenue and expense		106,665	18,245	56,044	102,892	56,374
Total comprehensive revenue and expense		95,111	45,196	60,900	90,800	60,900

* Actual rates revenue incorporates property rates and water rates expense on Council owned properties of \$2.4m. Budgeted revenues do not include these expenses. On a like for like basis, actual rates revenue is \$1.5m higher than budget.

Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July		1,128,657	1,087,953	1,067,757	1,128,657	1,067,757
Surplus / (deficit) after tax		(11,554)	26,951	4,856	(12,092)	4,526
Other comprehensive revenue and expense	20	106,665	18,245	56,044	102,892	56,374
Balance as at 30 June		1,223,768	1,133,149	1,128,657	1,219,457	1,128,657

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2021

Note	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000

ASSETS

Current assets

Cash and cash equivalents	7	6,256	7,197	31,496	9,125	33,758
Receivables	8	16,037	20,608	12,841	14,529	11,843
Other financial assets	10	1,000	-	-	1,224	-
Inventories	11	89	-	81	851	859
Current tax receivables	6	60	-	58	93	90
Non-current assets held for sale	12	2,161	1,400	831	2,161	831
Total current assets		25,603	29,205	45,307	27,983	47,381

Non-current assets

Shares in associates	9	22	-	150	22	150
Other financial assets:						
- Investment in CCO's and other similar entities	10	61,311	54,081	51,757	-	-
- Investment in other entities	10	4,043	3,451	3,324	4,043	3,324
Property, plant and equipment	13	1,313,155	1,339,068	1,222,708	1,389,731	1,295,154
Work in progress	13	97,882	-	72,572	97,940	72,572
Intangible assets	14	2,556	8,046	3,068	2,736	3,509
Loans & receivables	8	16,363	14,400	17,331	90	122
Total non-current assets		1,495,332	1,419,046	1,370,910	1,494,562	1,374,831
Total assets		1,520,935	1,448,251	1,416,217	1,522,545	1,422,212

LIABILITIES

Current liabilities

Payables and deferred revenue	16	49,622	31,636	52,620	49,734	52,574
Borrowings	17	27,976	15,000	44,362	27,976	44,362
Employee entitlements	18	3,872	3,160	4,415	4,821	5,751
Provisions	19	18	77	18	29	74
Total current liabilities		81,488	49,873	101,415	82,560	102,761

Non-current liabilities

Borrowings	17	213,700	261,751	183,866	216,526	187,622
Employee entitlements	18	117	96	72	117	72
Provisions	19	1,862	3,382	2,207	1,862	2,207
Deferred tax liabilities	6	-	-	-	2,023	892
Total non-current liabilities		215,679	265,229	186,145	220,528	190,793
Total liabilities		297,167	315,102	287,560	303,088	293,554
Net assets		1,223,768	1,133,149	1,128,657	1,219,457	1,128,657

EQUITY

Accumulated funds	20	718,834	784,355	731,673	719,861	732,799
Reserves	20	504,934	348,794	396,983	499,596	395,858
Total equity attributable to the Entity		1,223,768	1,133,149	1,128,657	1,219,457	1,128,657
Total equity		1,223,768	1,133,149	1,128,657	1,219,457	1,128,657

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2021

Note	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000

Cash flows from operating activities

Receipts from rates revenue	100,260	101,569	94,993	100,232	94,900
Receipts from other revenue	36,903	58,337	64,794	42,550	72,588
Interest received	688	134	889	169	346
Dividends received	30	-	205	30	205
Payments to suppliers	(67,964)	(63,574)	(62,204)	(58,094)	(52,130)
Payments to employees	(29,506)	(27,668)	(27,305)	(42,213)	(40,447)
Interest paid	(7,062)	(8,720)	(8,003)	(7,144)	(8,071)
Income tax paid	-	-	(58)	2	(91)
Goods and Services Tax (net)	(2,198)	-	2,444	(2,054)	2,676
Net cash flow from operating activities	31,151	60,078	65,755	33,478	69,977

Cash flows from investing activities

Receipts from sale of property, plant, and equipment	670	2,000	58	715	506
Receipts from sale of intangible assets	-	-	81	-	81
Loan advances repaid	31	-	58	32	-
Receipts from sale or maturity of investments	320	-	-	320	-
Purchase of property, plant and equipment	(65,798)	(117,104)	(59,468)	(67,143)	(67,349)
Purchase of intangible assets	(2,312)	-	(3,093)	(2,329)	(3,220)
Loan advances made	-	(1,750)	-	-	27
Purchase of financial assets	(2,750)	-	(123)	(2,224)	(90)
Net cash flow from investing activities	(69,839)	(116,854)	(62,486)	(70,629)	(70,044)

Cash flows from financing activities

Proceeds from borrowings	97,800	57,012	68,000	97,800	72,574
Repayment of borrowings	(84,300)	-	(46,500)	(85,225)	(47,474)
Payments of principal for finance leases	(52)	-	-	(57)	-
Net cash flow from financing activities	13,448	57,012	21,500	12,518	25,100

Net increase / (decrease) in cash and cash equivalents	(25,240)	236	24,769	(24,633)	25,033
Cash and cash equivalents at the beginning of the year	31,496	6,961	6,727	33,758	8,725
Cash and cash equivalents at the end of the year	6,256	7,197	31,496	9,125	33,758

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

The accompanying notes form an integral part of these financial statements.

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 deficit of \$11.6 million compared to a budgeted surplus of \$26.9 million.

The major reasons for the variance of \$38.5 million between actual and budgeted result are as follows:

Revenue

Revenues were \$16.8m lower than budget with major variances including:

- Subsidies and grants revenue was \$21.1m lower than budget due to delay in delivery of key projects deferring application of funding received. Key projects included the Rotorua Museum restoration and Sir Howard Morrison Performing Arts Centre renovations.
- Other Revenue was \$3.7m higher than budget due to increased revenue from fees and charges, lease and rental income and other trading revenue (including building consents). Additionally, a \$0.9m gain on fair value of investments was recognised which is not budgeted.
- Development and Financial Contributions up \$0.7m due to increased number of resourced consent applications received.

Expenditure

Expenditure was \$21.7m higher than budget with major variances including:

- Depreciation and amortisation costs were \$9.9m above budget due to increases in asset costs for roading and water assets following revaluation as at 1 July 2020.
- Finance costs were \$1.7m below budget due to lower debt drawdowns for key capital projects which experienced delays due to covid and other factors, and decreased interest rates in the period.
- Other Expenses were \$12.2m higher than budget due to loss on disposal of water and roading assets, increased use of consultants to fill staff vacancies, increased security costs inline with 2020 vision goal Vibrant city heart.

Key variances included:

- \$5.2m loss on disposal of plant and equipment, predominantly roading and water assets connected to the 1 July revaluation (not budgeted);
- \$1.6m impairment of property, plant and equipment, which is primarily related to the closure of the Blue Baths following earthquake strength assessment (not budgeted);
- \$2.5m higher in consultants fees due to meet demand in building and consenting as well as towards the build back better initiative and housing strategy;
- \$1.3m higher grants and contributions made, which included a new Community Resilience Fund which was established to help following Covid; and
- \$0.6m higher security and monitoring costs due to community safety initiative and required presence at repair sites such as Museum and SMPAC following damages during repair works.

Statement of Financial Position

Overall net assets are \$90.6m above budget. Significant variances are as follows:

Current Assets

Receivables are lower than budget by \$4.6m due to increased provision for doubtful debts and lower than forecast current loans to related parties. The budget forecast the full InfraCore loan to be current during the financial period.

Non - current assets

Property, plant and equipment (including work in progress) was \$72m higher than budget due to a combination of asset additions and revaluation gains on roading, land and water assets.

Investment in CCOs are \$7.2m higher due to an increase in the fair value assessment of the investment in Rotorua Regional Airport Limited of \$7m, following revaluation of their applicable assets.

Intangible assets were \$5.5m less than budget due to delay in implementation and capitalisation of ERP system.

Loans receivable are \$2m higher due to a smaller portion of loans to related parties being classified as current due.

Capital commitments

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

Council		Group	
Actual	Actual	Actual	Actual
2021	2020	2021	2020
\$'000	\$'000	\$'000	\$'000

Capital commitments

Parks and reserves	6,105	16,770	6,089	16,647
Roading network	27,012	13,446	26,901	13,346
Buildings	16,230	2,689	16,230	2,816
Stormwater	1,724	3,351	1,724	3,351
Wastewater - other	10,727	2,714	10,727	2,714
Wastewater treatment	2,028	470	2,028	470
Water - other	1,143	359	1,143	36
Water treatment	-	-	-	-
Intangibles	1,078	127	1,078	127
Plant and equipment	5	252	84	252
Investment property	-	-	-	-
Total capital commitments	66,052	40,178	66,004	39,759

Contingent liabilities

Council		Group	
Actual	Actual	Actual	Actual
2021	2020	2021	2020
\$'000	\$'000	\$'000	\$'000

Financial guarantees

Financial guarantees to community and sporting groups	9	39	9	39
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Suspensory loan

Housing New Zealand Corporation suspensory loan	1,532	1,532	1,532	1,532
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Legal proceedings

The Group's effective exposure to legal claims	750	1,080	750	1,080
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Total contingent liabilities	2,291	2,651	2,291	2,651
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Events after balance date

InfraCore Loan

During August 2021 an agreement was reached to forgive \$1 of debt for every \$1 of debt repayment made by Infracore up to and including 30 June 2022. Based on the expected debt repayment up to 30 June 2022, the debt forgiveness is forecast to be \$936,000.

Three Waters Reform

In July 2020, the Government launched the Three Waters Reform Programme- a three-year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership-basis approach with the local government sector, alongside iwi/Māori as the Crown's Treaty Partner.

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. At the date of this annual report being approved for issue there is still considerable uncertainty in respect of the extent of the impacts on Council.

Impact of COVID-19

Subsequent to balance date in August 2021, the Rotorua District moved to Level 4 with the rest of New Zealand. This alert level was reduced to Level 2 during September 2021.

At Alert Level 3 and 4 Council buildings were closed to the public in accordance with government requirements and services were available to the public by phone or email. All public facilities were closed under Alert Level 4, with many reopening as social distancing allowed under Alert Level 3. All critical functions such as infrastructure servicing, water services and waste management was maintained through all levels.

Auditors Report



Independent Auditor's Report

To the readers of Rotorua Lakes Council's summary of the annual report for the year ended 30 June 2021

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 2021.

The summary of the annual report comprises the following summary statements on pages 33 and 36 to 43:

- the summary statement of financial position as at 30 June 2021;
- 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 2021;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of 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 2021 in our auditor's report dated 16 December 2021. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 29 to the financial statements. The Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that the District Council will no longer deliver three waters services. These matters are addressed on page 43 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.

Other than in our capacity as auditor, 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

16 December 2021



ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua