



# Annual Report Summary 2013/14

Rotorua District Council  
Te Kaunihera ā rohe o Rotorua

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**Rotorua District Council**  
**Civic Centre, 1061 Haupapa Street, Rotorua 3010**  
**Private Bag 3029, Rotorua Mail Centre, Rotorua 3046**  
**Phone: 07 348 4199**  
**Fax: 07 346 3143**  
**Email: [mail@rdc.govt.nz](mailto:mail@rdc.govt.nz)**  
**Website: [www.rdc.govt.nz](http://www.rdc.govt.nz)**



# Message from the Mayor

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Tena koutou katoa

On 30 October, following local government elections on 12 October, I took the oath of office as mayor of Rotorua, alongside our 12 councillors. Earlier I had campaigned on a platform of change and I was therefore delighted to be given such a strong mandate through the election result. So from Day One, change became the order of the day for the new council.

A key focus of our first few months in office was development of a bold new vision for our district. The outcome of a major community engagement programme was the Rotorua 2030 vision and goals, including identification of a number of key priorities that we are committed to achieving during this term. These are not the council's goals alone; they also belong to the whole Rotorua community. They include some very ambitious aims which will only be progressed through creative and genuine partnerships.

While the chief executive set out to realign the organisation's operational structure, elected members revised the political structure so that we were also equipped to meet the challenges set in our Rotorua 2030 vision. This resulted in a new deputy mayor, new committee structure with new chairs and deputies, and the appointment of councillors as portfolio leads for seven key strategies to be developed.

We also made a commitment to do things differently. This included a pledge of community engagement, supporting community leadership, a new partnership with Te Arawa, working outside traditional delivery mechanisms, aligning all programmes with the district's ambitions, and reshaping the council to be more effective and responsive.

So, four vital principles have become hallmarks of this new council, and of the work we are now doing.

They are 'change,' 'engagement,' 'openness' and 'partnerships.'

Soon after the elections, the chief executive alerted us to his concerns about the unsustainable financial situation the council was in. It was clear that if we did not make wholesale changes to our current work plan, to our future commitments and to the growing level of debt, the council would find itself in a dire situation in the not too distant future. I am therefore proud of the hard decisions which elected members took to improve that potential outcome, and of the huge effort by management and staff, to turn things around.

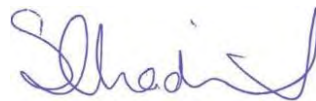
While this report does not present the most ideal financial outcome, it does reflect a much more satisfactory result at the end of the 2013/14 year than would otherwise have been the case. But we can do better, and we will.

I take this opportunity to extend thanks to my council colleagues for agreeing to work alongside me at a fast pace and in a very different way than in the past. I thank them for their understanding, their commitment and their dedication, and for addressing the challenges we have faced together.

I also express my appreciation to chief Executive Geoff Williams and his team for their extraordinary achievement in reshaping this organisation to align with our bold new vision and the ambitious goals we have set in partnership with our community.

And finally I extend gratitude to the people of Rotorua for accepting my challenge to join forces with us for our district, and for coming on board to ensure that together we create a positive future for our district and for future generations.

*Tatau tatau – we together*



Hon Steve Chadwick JP  
Mayor



# 2013/14 major highlights and achievements

## Elections 2013

Held in early October 2013, election results reflected a strong call for real change from our community, resulting in a new mayor and three new councillors.

Mayor Steve Chadwick is Rotorua's first female mayor and was joined by the youngest councillor to date on council, Tania Tapsell.

Within days of taking office the mayor, councillors and management gathered together in workshops to look at the issues Rotorua faced and to start crafting a new direction to address those issues. Out of this work a new vision and goals for Rotorua district were developed.

## Rotorua 2030

Rotorua 2030 is the framework Council has developed in response to the community's expectations of real direction and change. The goals of Rotorua 2030 are:

- 1. A resilient community ... He hāpori pūmanawa**  
Inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected.
- 2. Homes that match needs ... Kāinga noho kainga haumarū**  
Quality, affordable homes are safe and warm, and available to meet everyone's needs
- 3. Outstanding places to play ... Papa whakatipu**  
Recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us.
- 4. Vibrant city heart ... Waahi pūmanawa**  
Our inviting and thriving inner city reflects our unique heritage and lakeside location
- 5. Business innovation and prosperity ... Whakawhanake pākihi**  
We boast a diverse and sustainable economy energised by our natural resources and innovative people
- 6. Employment choices ... He huarahi hōu**  
We are a prosperous connected community; growing our education, training and employment opportunities.
- 7. Enhanced environment ... Tiakana to taiao**  
We are known globally for our clean, natural environment, air quality and healthy lakes

Along with the seven goals, four priority areas were established to focus the council on delivery of Rotorua 2030. A number of achievements have already been made to date on those priorities:

## 1. Develop a vibrant city heart that attracts people and activity

The Inner City Focus Group, retailers, landlords and councillors came together to discuss Stage One of the plan to revitalise the inner city. Council committed to replanting gardens in the CBD; and to work with the Inner City Focus Group on Stage Two of the activity plan for 2014.

In December Rotorua's new inner city parking regime came into effect, providing free parking in the inner city for a maximum period of two hours.

Work commenced on the Eruera and Tutanekai Streets intersection. This included a large wooden sculpture of a tui, carved by local artist Trevor Nathan, installed on the State Insurance corner.

## 2. Develop our economic base by growing existing and attracting new business to our region

In December Rotorua District Council became the first local authority in the country to scrap development contributions in their existing form.

In January changes were made to the council's procurement processes which will give local businesses more opportunity to tender for council business.

A delegation headed to Beppu, Rotorua's Japanese sister city in April, to join commemorations marking Beppu's 90<sup>th</sup> anniversary of city status, and the 100<sup>th</sup> anniversary of the city's famous hot springs festival. The visit was also an opportunity to meet with business people involved in geothermal attractions and hot springs, in line with the council's plan to position itself as the spa capital of the South Pacific.

## 3. Support reinvigorated neighbourhoods and the creation of healthy homes

In March Treasure Rotorua and steering group partners (Rotorua District Council, ACC, NZ Fire Service, Police, Neighbourhood Support, Civil Defence and Age Concern) begin *Te Pou Kapua o Te Koutu – Safe as Houses* project. Up to 500 households in Koutu were visited and offered free advice about reducing accidents in the home, installing safety devices and crime prevention.



# 2013/14 major highlights and achievements

Rotorua District Council and the Fordlands community joined forces to revitalise the neighbourhood. A leading edge 'eco village' prototype and community gardens that bring both food and colour to Fordlands were among ideas generated by residents at a meeting at Sunset Primary School on 26 March.

*5 June 2014*

In June more than 70 trees were planted at Rotorua's Koutu Youth Space at Karenga Park as part of Rotorua District Council's contribution to Arbor Day.

## **4. Sustainable infrastructure and affordable, effective council services**

In December the council was updated on the financial position and adopted a new financial strategy.

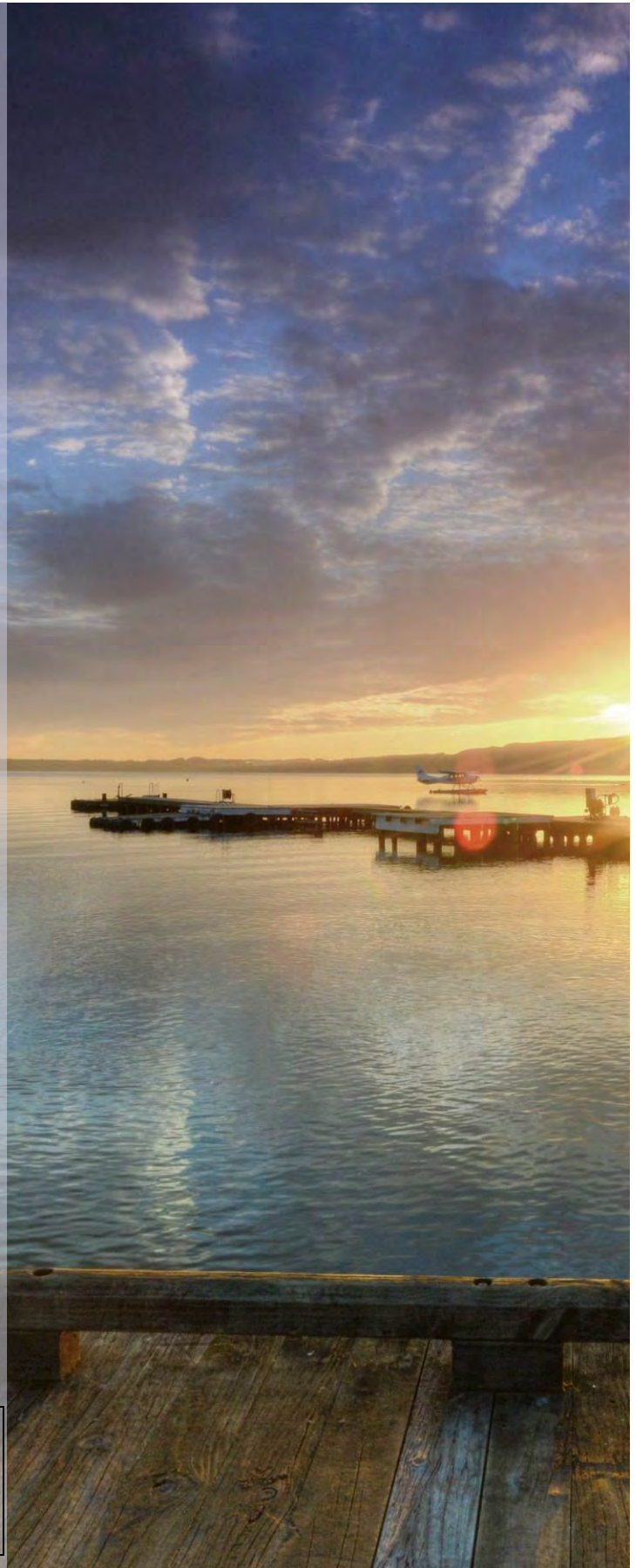
The council agreed to defer a number of scheduled projects as part of immediate action to reduce debt levels. The deferred projects had a total value of approximately \$5.4 million.

In May Council welcomed findings of an independent review of past financial disclosures. The review investigated the adequacy of past financial disclosures to elected members, and those made public during long-term plan and annual plan processes.

An announcement was made that Council would proceed with its TERAX project to construct a new high-tech plant for processing bio-solid sludge from the city's wastewater treatment plant, using TERAX technology developed by scientists from crown research institute Scion.

In June Rotorua District Council and CNI Holdings signed an agreement which will see an end to the spraying of treated wastewater in Whakarewarewa Forest by the end of 2019.

More details about Council's activities over the last financial year are available in the full Annual Report document which is available on our website [www.rdc.govt.nz](http://www.rdc.govt.nz) or call 07 348 4199 and we will post you a hard copy.



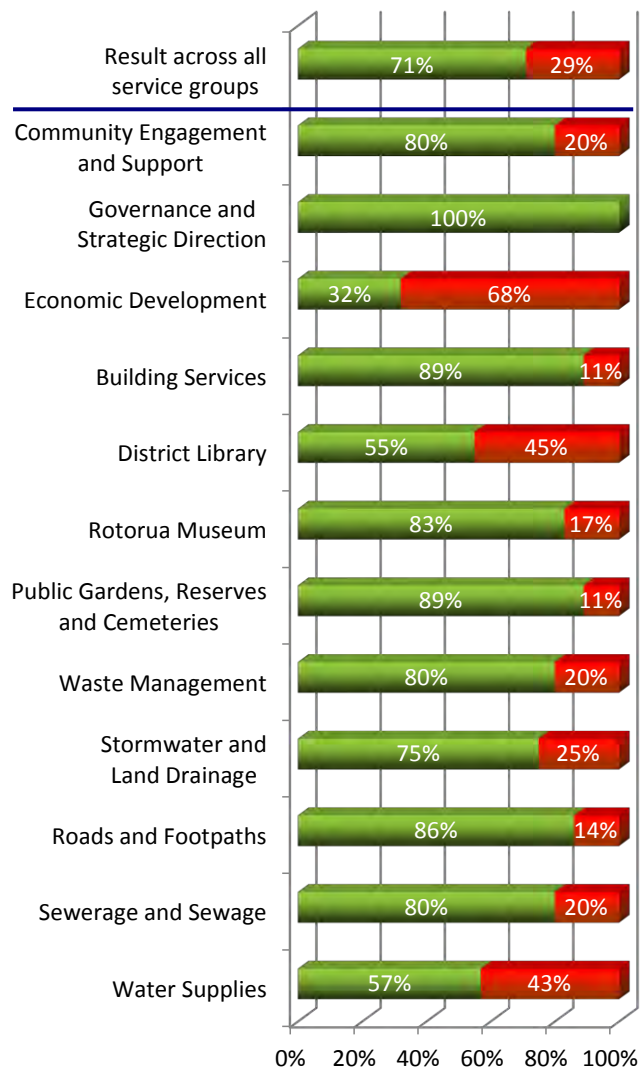
# How did Council perform?

## Performance measures

The Council's business is divided into 23 service groups. Our Annual Plan sets out 139 measures that we use to report back on our service performance across these service groups.

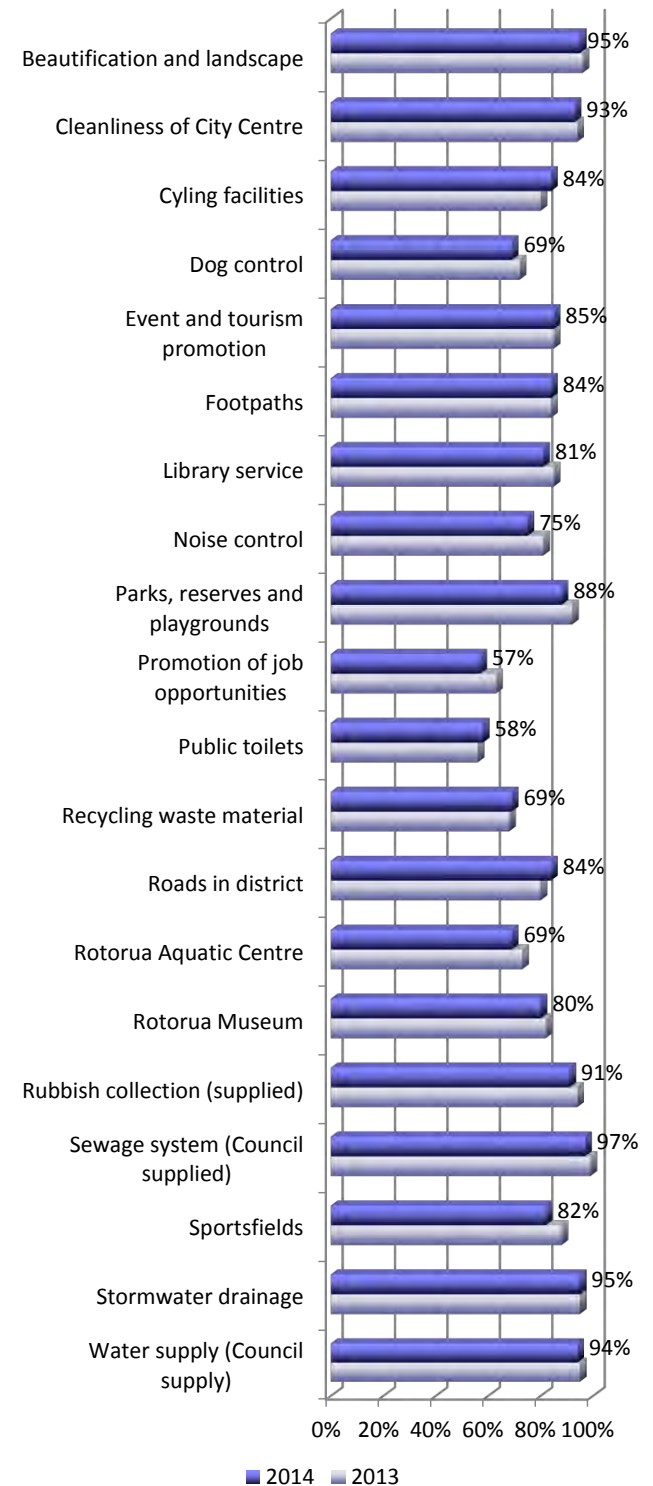
Below is a snapshot of our results for 2013/14, showing the percentage of targets achieved (green) and not achieved (red).

Our full 2013/14 Annual Report includes detailed



## Residents' satisfaction

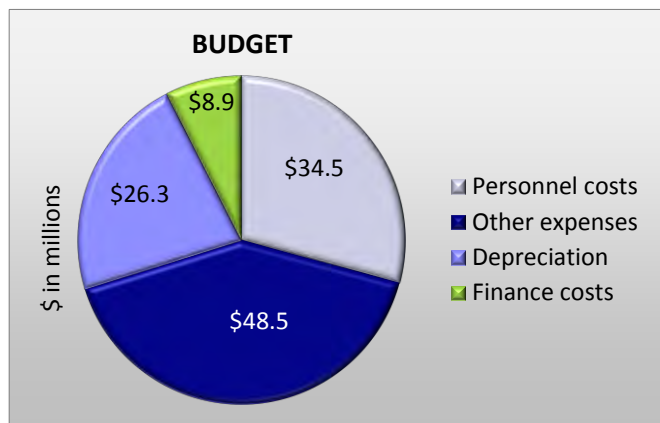
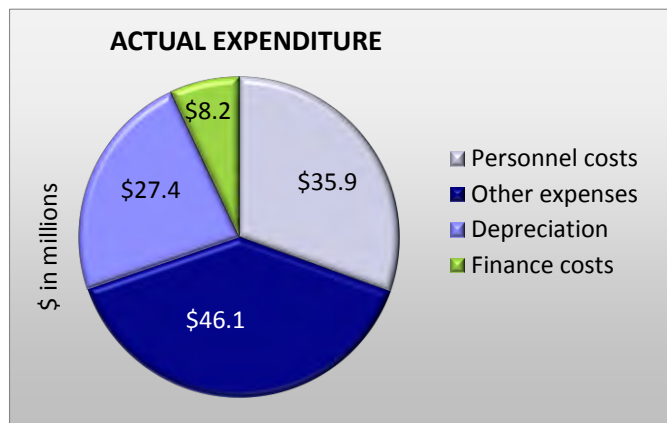
Council has been commissioning independent resident satisfaction surveys annually since 1992. Satisfaction ratings for the 20 council services over the last two years



# Financial situation at a glance

## What did it cost us to deliver the business?

**Council's expenditure was \$117.6 million against a budget of \$118.2 million**



## Differences explained!

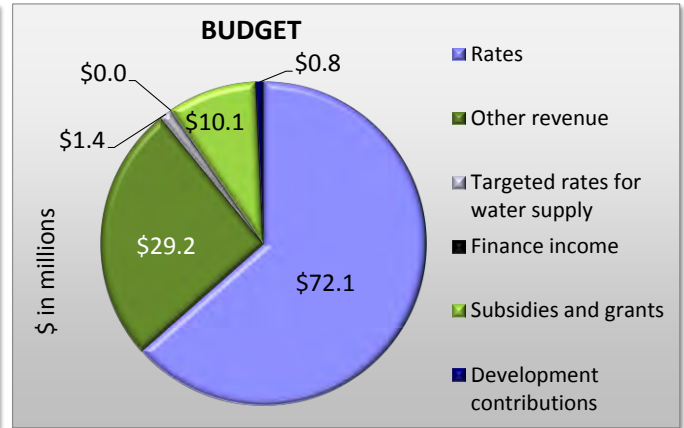
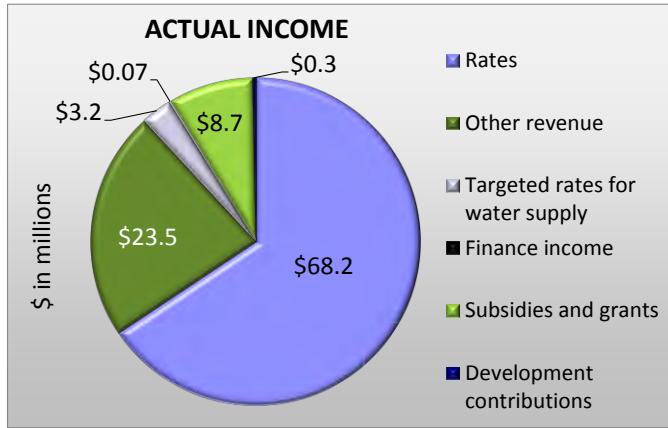
Expenditure	Up/down on budget	Difference	Comment
Personnel Costs	↑	\$1.4m	➤ Majority is due to reorganisation restructure costs initiated during the year (\$1.5 million), and finalising at year end, offset by small savings in overall staff costs.
Depreciation	↑	\$1.1m	➤ Resulting from council's update of its fixed asset information, and changes in certain depreciable lives against initial assumptions of asset data at time of budget.
Finance costs	↓	\$0.7m	➤ Resulting from favourable interest rates against borrowing assumptions
Other Expenses	↓	\$2.4m	➤ Due to council's savings initiatives instigated from December 2014 mainly within contractors and physical works.



# Financial situation at a glance

## What were our sources of income?

**We received \$104 million against a budget of \$113.6 million**



## Differences explained!

Expenditure	Up/down on budget	Difference	Comment
Rates	↓	\$3.9m	➤ Mainly due to the budget including rates on council owned properties and the actuals excluding rates on council owned properties.
Other revenue	↓	\$5.7m	➤ Unfavourable due to ambitious revenue targets which have been further affected by reduced economic and regional growth impacting Fees and Charges during the year.
Targeted rates for water supply	↑	\$1.8m	➤ In 2013/14 there was higher than budgeted water by meter use (including estimate for June) compared to budget assumptions.
Finance income	↑	\$0.07m	➤ Not budgeted 2013/14.
Subsidies and grants	↓	\$1.4m	➤ Unfavourable with main contributor being the delay in consultation on the Rotoiti/Rotoma sewerage scheme delaying start of project and contributions anticipated toward these schemes.
Development contributions	↓	\$0.5m	➤ Less due to slow growth and Council's decision during 2013/14 to cease the development contribution charging regime.

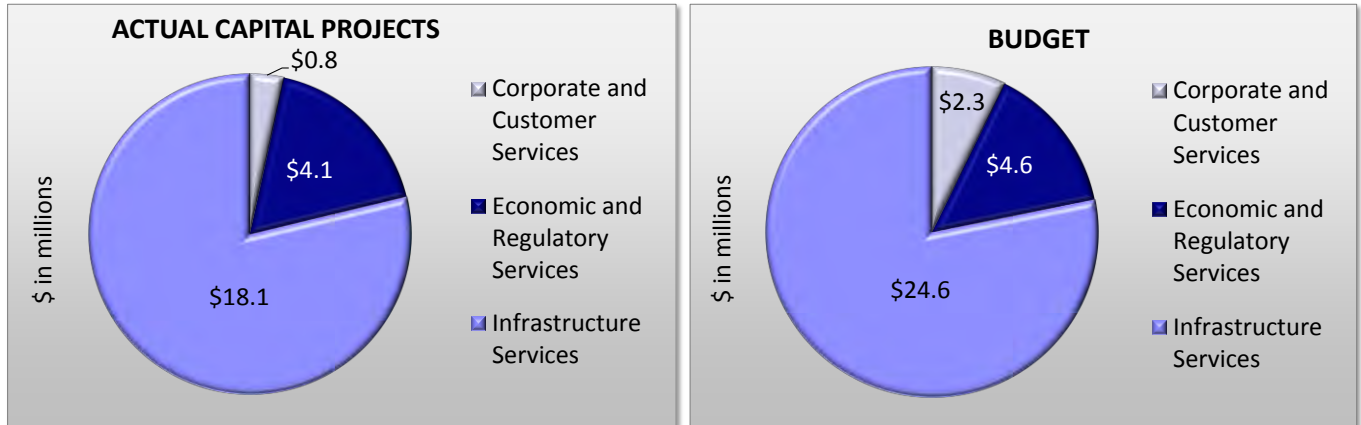




# Financial situation at a glance

## What capital works and renewal of existing assets did we do?

**We spent \$23 million on capital projects against a budget of \$31.5 million**



### Differences explained!

Expenditure	Up/down on budget	Difference	Comment
Corporate and Customer Services	↓	\$1.5m	<ul style="list-style-type: none"> <li>➤ Mainly due to transfer of capital expenditure from strategic properties to roading (infrastructural services).</li> </ul>
Economic and Regulatory Services	↓	\$0.5m	<ul style="list-style-type: none"> <li>➤ Exterior of museum feature lighting programme was deferred.</li> <li>➤ Convention centre capital renewals deferred.</li> </ul>
Infrastructure Services	↓	\$6.9m	<ul style="list-style-type: none"> <li>➤ Significant capital expenditure deferrals due to focus on debt saving initiatives. In particular:                             <ul style="list-style-type: none"> <li>– Public garden and reserve referrals of \$1m, roads and footpaths deferrals \$1.8m</li> <li>– Stormwater renewal deferrals \$2.0m, water supplies \$1.0m</li> </ul> </li> </ul>



# Summary financial statements

	Council			Group	
	2014 actual \$000	2014 budget \$000	2013 actual \$000	2014 actual \$000	2013 actual \$000
<b>Statement of comprehensive income for the year ended 30 June</b>					
Rates income	71,465	73,518	71,321	71,387	71,239
Other income	<b>32,507</b>	<b>40,092</b>	<b>36,528</b>	<b>34,522</b>	<b>38,519</b>
<i>Total Income</i>	<b>103,972</b>	<b>113,610</b>	<b>107,849</b>	<b>105,909</b>	<b>109,758</b>
Personnel costs	35,911	34,532	34,112	36,245	34,296
Depreciation and amortisation expense	27,431	26,298	30,103	27,622	30,304
Finance costs	8,231	8,924	8,181	8,231	8,181
Other expenses	46,050	48,486	46,657	47,740	47,706
<i>Total operating expenditure</i>	<b>117,623</b>	<b>118,240</b>	<b>119,053</b>	<b>119,838</b>	<b>120,487</b>
<b>Surplus/(deficit) before tax</b>	<b>(13,651)</b>	<b>(4,630)</b>	<b>(11,204)</b>	<b>(13,929)</b>	<b>(10,729)</b>
Income tax expense	0	0	0	(5)	5
<b>Surplus/(deficit) after tax</b>	<b>(13,651)</b>	<b>(4,630)</b>	<b>(11,204)</b>	<b>(13,924)</b>	<b>(10,734)</b>
<b>Other comprehensive income</b>					
Revaluation on property, plant and equipment	29,268	0	97,404	29,268	97,404
Revaluation on intangibles	128	0	0	128	0
Net change in fair value of hedges	294	0	524	294	524
Net change in fair value of investment	(315)	0	473	(42)	3
<b>Total other comprehensive income</b>	<b>29,375</b>	<b>0</b>	<b>98,401</b>	<b>29,648</b>	<b>97,931</b>
<b>Total comprehensive income</b>	<b>15,724</b>	<b>(4,630)</b>	<b>87,197</b>	<b>15,724</b>	<b>87,197</b>
<b>Statement of changes in equity for the year ended 30 June</b>					
Total comprehensive income	15,724	(4,630)	87,197	15,724	87,197
<b>Total recognised revenue and expenses for the year</b>	<b>15,724</b>	<b>(4,630)</b>	<b>87,197</b>	<b>15,724</b>	<b>87,197</b>
Equity at the beginning of the year	961,813	928,419	874,616	961,813	874,616
<b>Equity at the end of the year</b>	<b>977,537</b>	<b>923,789</b>	<b>961,813</b>	<b>977,537</b>	<b>961,813</b>
<b>Statement of financial position as at 30 June</b>					
Current assets	15,840	25,680	16,217	16,731	18,169
Total non-current assets	1,157,223	1,040,135	1,138,096	1,156,394	1,136,644
<b>Total assets</b>	<b>1,173,063</b>	<b>1,065,815</b>	<b>1,154,313</b>	<b>1,173,125</b>	<b>1,154,813</b>
Current liabilities	58,244	74,443	69,453	58,306	69,953
Non-current liabilities	137,282	126,470	123,047	137,282	123,047
Accumulated funds	740,644	864,902	853,903	740,701	854,373
Other reserves	236,893	0	107,910	236,836	107,440
<b>Total equity and liabilities</b>	<b>1,173,063</b>	<b>1,065,815</b>	<b>1,154,313</b>	<b>1,173,125</b>	<b>1,154,813</b>
<b>Statement of cash flows for the year ended 30 June</b>					
Opening cash and cash equivalents balance at 1 July	663	1,842	883	2,258	1,622
Net cash from operating activities	20,832	21,668	32,987	20,097	33,914
Net cash from investing activities	(26,491)	(29,496)	(40,582)	(26,682)	(40,653)
Net cash from financing activities	10,325	11,887	7,375	10,325	7,375
<b>Closing cash and cash equivalents balance at 30 June</b>	<b>5,329</b>	<b>5,901</b>	<b>663</b>	<b>5,998</b>	<b>2,258</b>



# Notes to the summary financial statements

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## Accounting Policies

Rotorua District Council is a territorial authority governed by the Local Government Act 2002.

These summary financial statements of the Parent and Group are for the year ended 30 June 2014.

The Council is a public benefit entity and has complied with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities. These standards represent generally accepted accounting practice in New Zealand. They prescribe the way we must recognise and disclose all financial transactions in our financial accounts. A statement of compliance can be found in the full annual report on page 125.

This summary has been prepared in accordance with Financial Reporting Standards 43 (FRS 43) - summary financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

## Capital and operating commitments

Council has contracts committing it to spend \$15.9 million (2013: \$24.8 million) on capital works.

Council leases property, plant and equipment in the normal course of business under non-cancellable terms. The future aggregate minimum lease payments payable for these leases is \$2.6 million (2013: \$2.8 million).

## Contingent assets and contingent liabilities

Council has loan guarantees and suspensory loans with sports clubs, schools and other community groups to the value of \$494,000 (2013: \$678,000). These assets are not recognised in the Council's statement of financial position.

Contingent liabilities, which are dependent on other future events, are \$2.8 million (2013: \$4.6 million). The suspensory loan with Housing NZ Corporation represents the majority of the contingent liability.

## Reclassification and restatement

Following a review of the 2012/13 statement of cash flows, a classification issue was noted between operating and investing activities of \$6 million. These figures have been restated this year to provide better comparative information with the 2013/14 statement of cash flows. The net impact on the cash and cash equivalents is nil.

From a review of the 2012/13 Group statement of comprehensive income, statement of financial position and statement of changes in equity, a number of classification errors have been identified. These have been corrected and restated for comparative purposes. Further detail is provided in note 38 of the full Annual Report, pages 193-194.

## Subsequent events after balance date

During October 2014, the Council is progressing a proposal regarding the sale of airport assets from Rotorua District Council to Rotorua Regional Airport Limited (a 100% owned subsidiary of Rotorua District Council). This would see the operation and asset ownership of the Airport consolidated into a single entity (Rotorua Regional Airport Limited). The airport assets have a current valuation of \$46.5 million.

## Disclaimer

The summary financial statements were authorised for issue by the Chief Executive on 27 November 2014

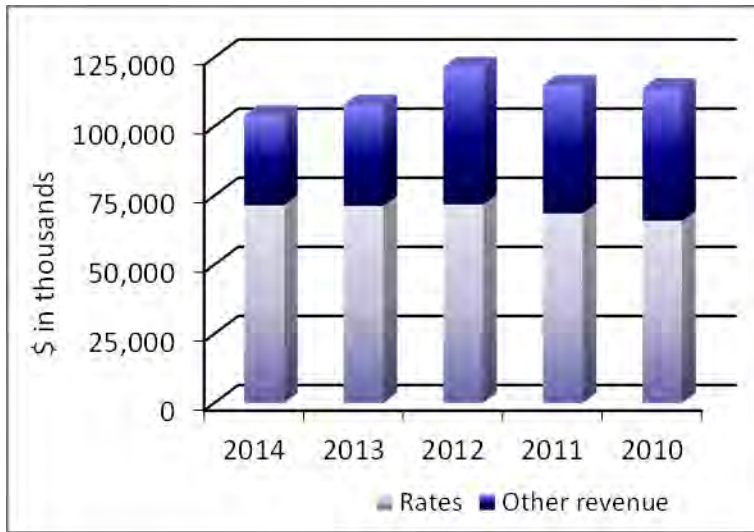
The disclosures included in this summary have been extracted from the full financial statements in the Annual Report and cannot be expected to provide as complete an understanding as the full report. The full Annual Report adopted by Council on 5 November 2014 has received an unmodified audit opinion.

The full Annual Report is available free of charge from Council's website ([www.gdc.govt.nz](http://www.gdc.govt.nz)). A copy of the full report is held at the Customer Centre and District Library.

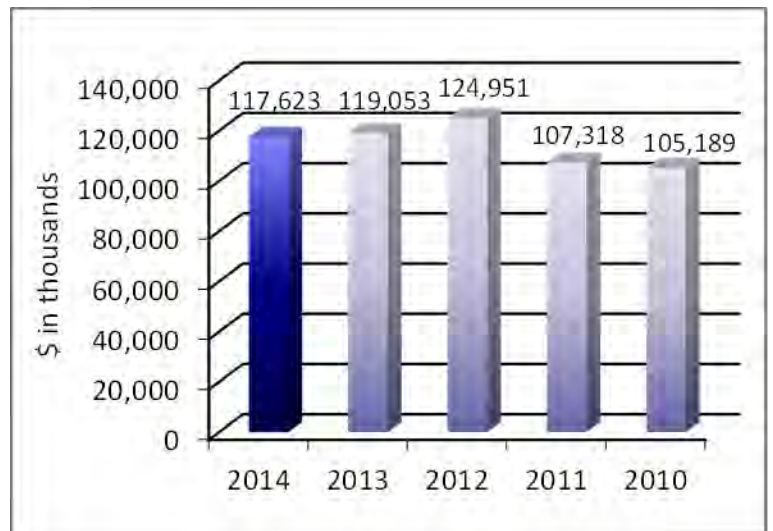


# Financial summary

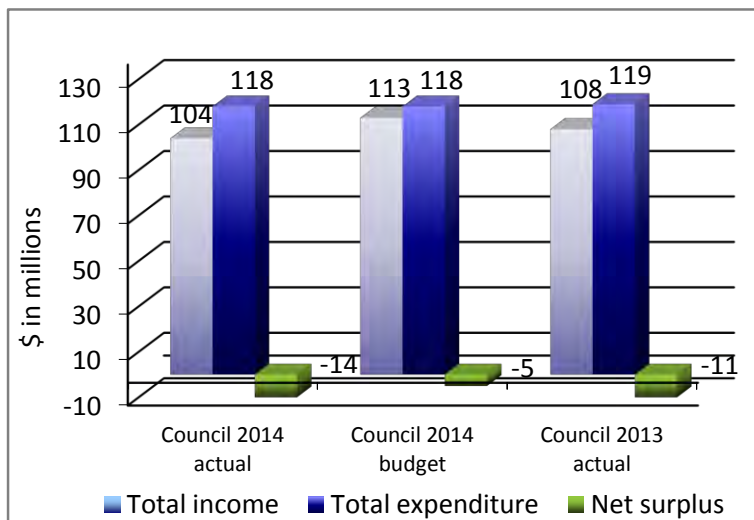
## Operating income



## Operating expenditure

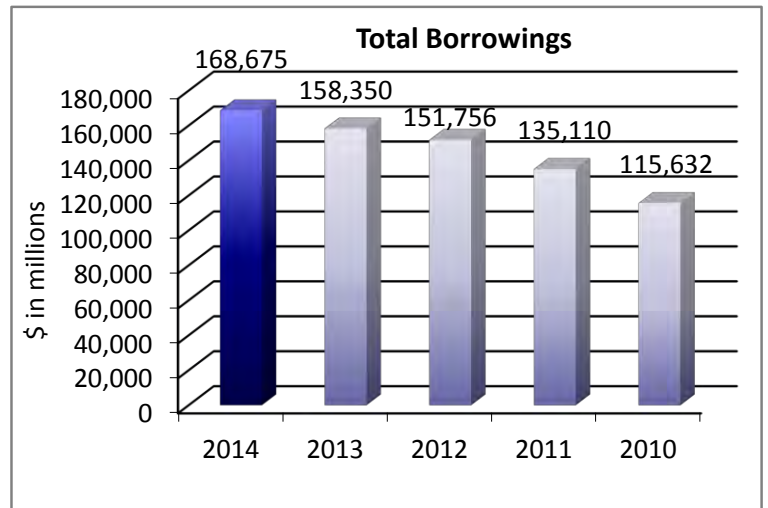
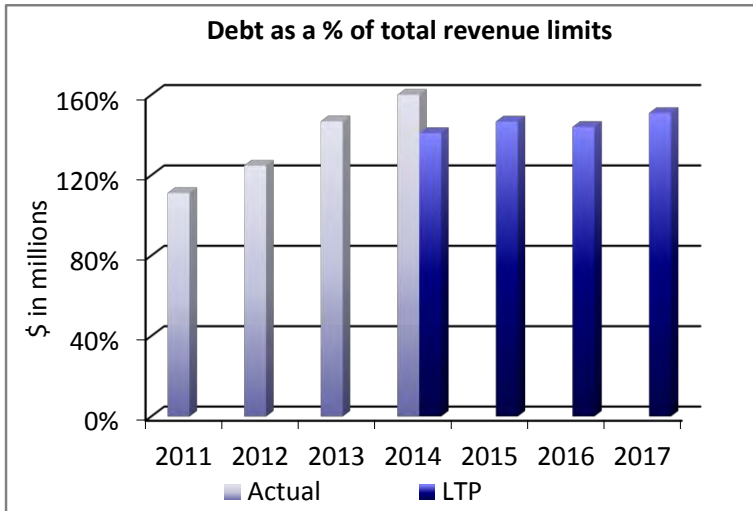


## Income and expenditure



# Financial summary

## Total debt



Based on our capital expenditure programme, it was expected to have external debt of \$173 million (as in our Long-term Plan). Due to a lower than expected capital expenditure, largely due to the Rotoiti/Rotoma sewerage scheme not proceeding, the resulting debt position as at 30 June 2014 is \$168.7 million.



## Independent Auditor's Report

### To the readers of Rotorua District Council's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Rotorua District Council (the District Council) for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 1 to 13:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 5 November 2014.

### Opinion

In our opinion:

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

### Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.



# Auditor's report

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The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

## **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council.



Clarence Susan,  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
27 November 2014



