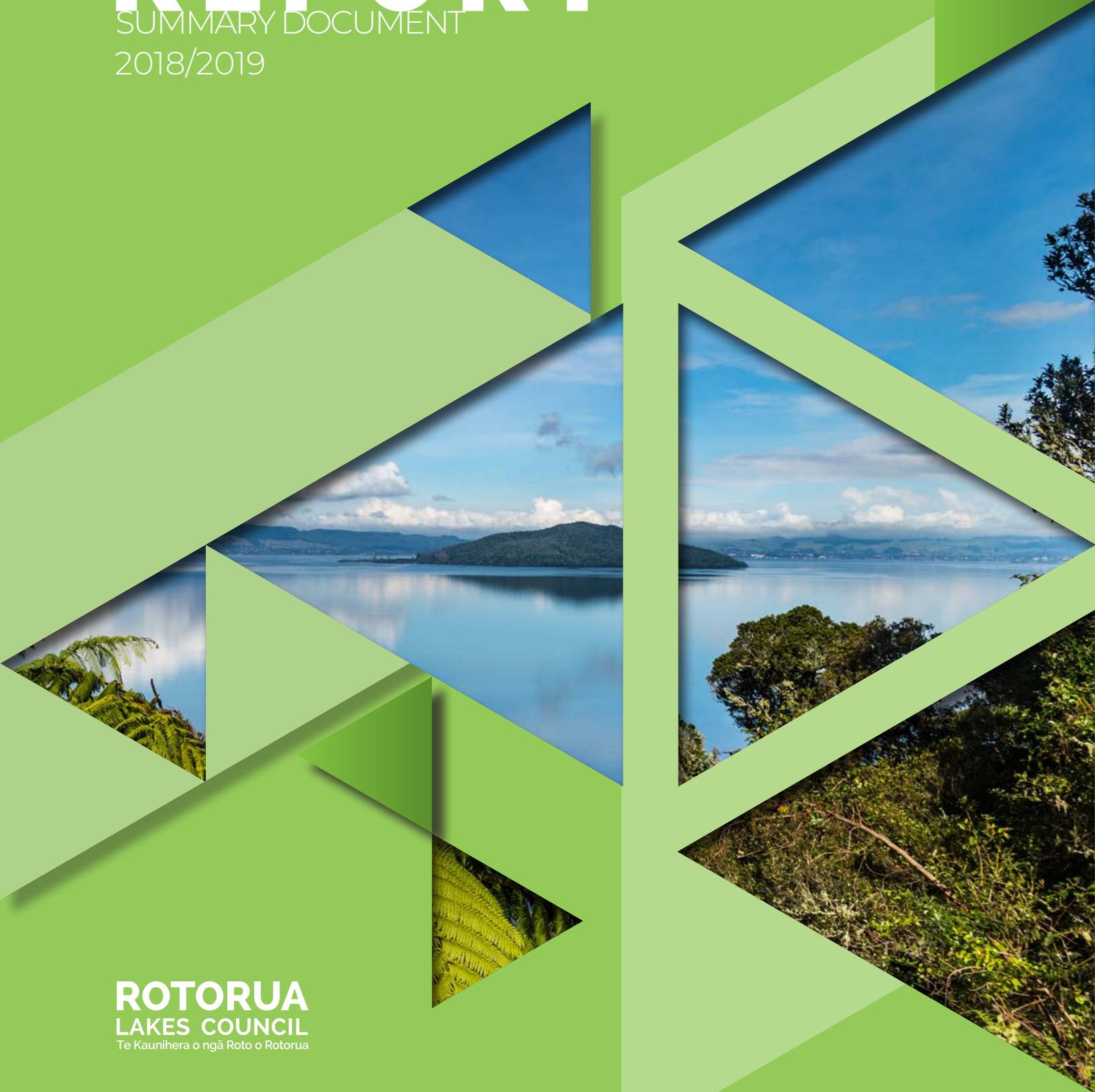


ANNUAL REPORT

SUMMARY DOCUMENT
2018/2019



ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua

Progress & Highlights 2018/19



Image credit: Mark Smith

- Retained AA- Fitch rating
- Spatial plan adopted
- Rural waster collection rolled out
- CLM commenced management of Aquatic Centre
- Child equity programme commenced – Sunset Primary
- Treatment plant for East Rotoiti | Rotomā Sewerage Scheme treatment plant completed
- Provincial Growth Fund announcement - \$27.4 million lakefront and Whakarewarewa Forest
- Housing First contract signed with central government
- Royal Visit - Harry and Meghan
- Westbrook sports field development netball – completed
- Rotorua Trust grant \$10 million towards Rotorua Museum project
- Lakefront development commences removal of Sea Scout Hall
- Kuirau House removal
- Long-tailed bats found in Sanatorium Reserve
- Ranolf to CBD shared path added to urban network
- Unveiling of Te Arawa Soldiers' Memorial
- Ngongotahā Community Reference Group established - future flood risk mitigation options
- Landfill capped and sealed reducing carbon emissions and leachate
- Developments at entrance to Redwoods forest commenced

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Te Ngako o tēnei Pūrongo

About this report

This summary annual report covers the performance of Rotorua Lakes Council Group for the period 1 July 2018 to 30 June 2019. Rotorua Lakes Council Group includes the council organisation and council-controlled organisations (CCOs).

The summary reflects success and the challenges that Council has faced in delivering against year one 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 summary is intended to provide important information to a broad range of stakeholders including, Rotorua Lakes Council's residents and ratepayers, local businesses, non-government organisations, our 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.



Mai i te toihautū Chief Executive's Message

Ngā mihi manahau. On behalf of the council and the council organisation, I am pleased to present the Summary Annual Report for 2018/19. This report reflects both the success and challenges that we have faced in delivering year one of our Long-term Plan 2018-28.

The section 'connecting vision to action' outlines the key projects and what has been achieved, whilst the financial performance of the organisation is detailed under the heading 'managing our money'.

One of the most significant assumptions underpinning the Long-term Plan was the need to secure substantial external investment into key place making projects like the Lakefront, Whakarewarewa Forest, Museum and Sir Howard Morrison Performing Arts Centre. Council have worked vigorously throughout the year to secure external funding in order that these projects can proceed.

In September 2018, Council were successful in securing funding for the Lakefront Redevelopment and Whakarewarewa Forest projects from the government's Provincial Growth Fund.

The funding in the order of \$27 million was the largest contribution to any New Zealand district/city at the time.

At the end of the financial year, work had significantly commenced along Long Mile Road, the entrance into the forest.

In December 2018, another successful funding announcement was made. RECT announced their contribution of \$10 million towards the restoration and reopening of the Museum.

At the close of the financial year, negotiations were still underway with central government, on the funding required to progress this project.



An announcement in mid-August 2019 confirmed that combined funding of \$26 million from Lotteries, Ministry of Culture and Heritage and the Provincial Growth Fund now making this project fully funded also.

The closure of the Sir Howard Morrison Performing Arts Centre for earthquake strengthening provided the opportunity to review the future value proposition of the arts and culture offerings in Rotorua. Initially Council committed to funding of \$4.5 million alongside some significant external funding including \$3 million from Owen Glenn.

In February 2018 Council had to dig deep, committing to an additional \$7 million towards the asset repair and required earthquake strengthening. A final injection of funding from Lotteries of \$4 million now ensures that the facility can be created as a fit-for purpose performing arts centre.

Working towards and delivering on the goals and aspirations of Vision 2030 is only achievable when council acts in the most appropriate way; as the stewards for the community now and in the future. Having a robust and tested financial strategy provides the certainty that planned levels of investment are prudent and sustainable.

The objectives of Council's 2018-2028 financial strategy are based on:

- Maintaining existing infrastructure so it is fit-for-purpose now and into the future
- Providing infrastructure to accommodate a growing district
- Investing in the future of the district
- Keeping rates affordable and managing debt

Council continues to deliver those objectives by keeping a focus on three key components that support a prudent financial position - funding (revenue), capital spend and borrowing.

Balancing these will help to ensure the future sustainability of services and finances.

For the third year in a row we have demonstrated that this approach is prudent and sustainable and this is supported by our retention of an AA- credit rating from Fitch International.

Our section on 'managing the money' goes into detail on the revenue and expenses over the past year.

In this financial year we have also reviewed our rating framework. This work focused on the foundations of our rating framework to define best practice rating principles. Each time revaluations, new services and new projects are considered the principles will be tested to make sure rating is in accordance with the principles. The debate surrounding rates being too high was also tested.

Of the 67 territorial local authorities across New Zealand, the average rates in Rotorua rank 35 as published in the annual Taxpayers Union report, September 2018.

This report is published after reviewing data published in all territorials Annual Reports.

It has been another busy year and productive year and I would like to thank staff for their continued efforts in supporting Council to achieve the results reflected in this report. 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 new challenges that await us in 2019/20, in which we will remain focused on working with our community and partners to ensure that the Rotorua Vision is achieved.



Geoff Williams

Chief Executive

He kupu nā te Manukura **Mayor's Message**

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

I am delighted to present the Rotorua Lakes Council's Summary Annual Report for 2018/19. This report reflects the success and challenges that we have faced in delivering against year one of our Long-term Plan 2018-28.

Our Long-term Plan (LTP) is the action plan that connects our service delivery and key projects to our vision for the district.

Vision 2030, the Long-term Plan and the Spatial Plan combined are providing the road map for the next decade on how we shape the future we want for our district.

Partnerships have been the big theme for the past year, resulting in good progress on key work programmes and unlocking funding for transformational projects. The Lakefront Redevelopment, Sir Howard Morrison Performing Arts Centre, Whakarewarewa Forest and the Museum restoration and re-opening are now fully funded realities thanks to funding from Central Government, funding agencies, trusts and entrepreneurs.

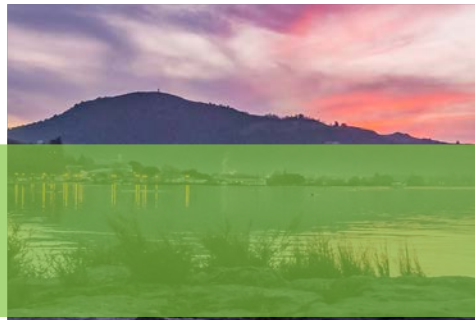
Through the Provincial Growth Fund and Ministry for Culture and Heritage investment alone, approximately \$46.9 million dollars will be invested into our district. This level of external funding demonstrates that Rotorua is a district on the move and a place worthy of significant investment.

Significant progress was made on a treatment plant for the East Rotoiti/Rotoma sewerage scheme, a hugely important project that has been progressed alongside iwi and other community representatives over several years.

We adopted a district spatial plan to ensure future growth is planned and sustainable, work got underway with a community reference group to review management of the Ngongotaha catchment, preservation work in our unique Sanatorium Reserve started and improvements were completed at lakes recreation areas and Waipa Valley.

A highlight was the launch of a Child Equity pilot programme in partnership with Sunset Primary School. Positive impact is already evident and partnerships and collaboration are proving key. This work may also provide the basis for the lead role Council will need to play in facilitating local solutions that improve the social, economic, environmental and cultural wellbeing of our district.

With these key place making projects going ahead, we can now focus our efforts on finalising business cases and securing funding where needed, for Kuirau Park and Skate Park, the Aquatic Centre, and the Tarawera sewerage scheme.



As Mayor, I see these projects as promoting inclusiveness and access to sporting and public facilities, parks and walkways, whilst helping to ensure we have a thriving city centre and great neighbourhoods.

As a Council we have worked hard to balance the community expectations and priorities with the increasing demand for services and infrastructure, along with the need for ongoing financial prudence.

This report shows Council remains committed to delivering high-quality services for our diverse and vibrant community.

We have remained focused on the direction supported by a strong framework of key strategic plans that work together to achieve the goals of the Rotorua 2030 vision.

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

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)

Mayor of Rotorua



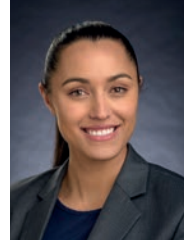
Our council



Rotorua Lakes Councillors 2016-19

From left to right: Hon Steve Chadwick - Mayor of Rotorua, Deputy Mayor Dave Donaldson QSM, Cr Peter Bentley, Cr Mark Gould (JP), Cr Karen Hunt, Cr Rob Kent, Cr Rajmeh Kumar, Cr Trevor Maxwell MNZM, Cr Merepeka Raukawa-Tait, Cr Charles Sturt, Cr Tania Tapsell.

Community Boards



Rotorua Lakes Community Board

From left to right: Phill Thomass (Chair), Jim Stanton (Deputy Chair), Nick Chater, Fred Stevens, Cr Tania Tapsell.



Rotorua Rural Community Board

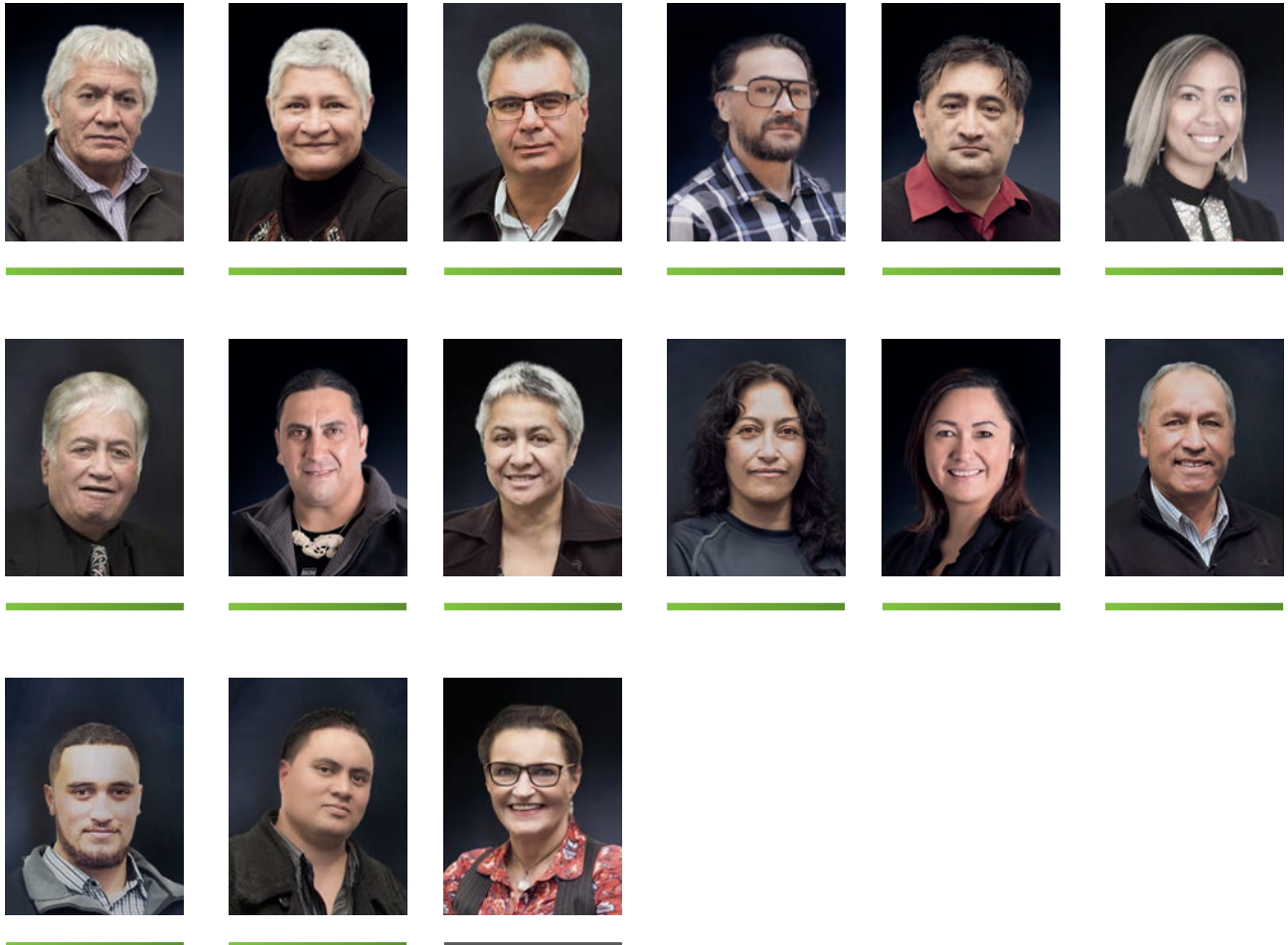
From left to right: Shirley Trumper (Chair), Chris Sutton (Deputy Chair), Bryce Heard, Bob Martin, Cr Mark Gould (JP).

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 and one executive officer, representative of a cross section of Te Arawa stakeholders including koeke (elders), Ngāti Whakaeue, Te Arawa iwi and hapu, land trusts and incorporations, pan-Te Arawa entities and rangatahi (youth).

The Board



From left to right: Te Taru White (Chair), Ngaroma (Mala) Grant (Deputy Chair), Eugene Berryman-Kamp, Potaua Biasiny-Tule, Kingi Biddle, Ngahua Hona-Paku (Rangatahi), Dr Ken Kennedy (Te Pukenga Koeke Representative), Eraia Kiel, Raina Meha-Rangitaurira, Gina Mohi, Ana Morrison, Geoffrey Rolleston, Te Mauri Tait Kingi (Rangatahi), David (Rawiri) Waru, and Jude Pani (Executive Officer).

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;
- 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 2030 Vision,
 - support the council to grow its capacity and capability to effectively and meaningfully engage with Te Arawa hapu and iwi,
 - 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 Maori;
 - strengthen Te Arawa's participation in Council decision-making;
 - identify strategic opportunities to work closely together for the betterment of the Rotorua district;
 - build iwi capacity and capability to partner with local government.

Other mechanisms providing Māori input into council decision-making include Te Pukenga Koeke o te Whare Taonga o Te Arawa, a group of Te Arawa kaumatua supporting Rotorua Museum decisions; Ngāti Whakaeue 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 Waka Taua Trust has the same purpose, for the historic Te Arawa Waka Taua and shelter at the Lakefront. The Council has a number of individually tailored memoranda of understanding in place with various hapu of the district.

Tirohanga Whakamua 2030 **Vision 2030**

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.

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 whakapūmāutanga o te taiao.

Mō te katoa a Rotorua...Tatau tatau

People | Culture | Place



Vision 2030 + community outcomes

Our community outcomes are our vision 2030 goals.

Vision 2030 goals



PAPA WHAKATIPU
Outstanding places to play



WAAHI PŪMANAWA
Vibrant city heart



HE HĀPORI PŪMANAWA
A resilient community



KĀINGA NOHO, KĀINGA HAUMARU
Homes that match needs



WHAKAWHANAKE PĀKIHI
Business innovation and prosperity



HE HUARAHI HOU
Employment choices



TIAKINA TO TAI AO
Enhanced environment

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 have highlighted 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 is our action plan, setting out how we will deliver and fund what we have set out to achieve. It is Council's commitment to the community to deliver services and projects that contribute towards the vision and the district's strengths in a financially prudent way, balancing the challenges of affordability in the present while meeting the demands for future progress.

He aronga poto: Te whakahaere pūtea

At a glance: Financial performance

| | Actual | Budget |
|----------------------------------|-------------------------|---------|
| Operating surplus (\$million) | 8.09 | 20.21 |
| Revenue | 138 146 | 137 260 |
| Expenditure | 130 059 | 117 046 |
| Revenue – from rates | 91 818 | 92 518 |
| Revenue – from all other sources | 46 328 | 44 742 |
| Capital expenditure (\$ million) | 56.1 | 77.6 |
| Net debt (\$ million) | 199.8 | 203.5 |
| Credit Rating | Aa- Fitch International | |
| Outlook | Stable | |

The 2018/2019 financial year surplus of \$8.09m is positive in light of the financial pressures that council faced which included but were not limited to i) volatile electricity spot prices since October 2018 ii) higher than anticipated maintenance costs e.g. Museum artefact moving and restoration and iii) lower parking revenue due to the delay in roll out of updated technology.

However, these pressures were somewhat offset by i) higher rates revenue due to growth in the region and ii) cost saving and other efficiencies. In spite of these savings and imposed efficiencies council ensured essential services to the community were maintained, roads were repaired and recreational areas improved or renewed.

Liquidity remains a top council focus and in 2018/2019 a net debt increase of just over \$14m had been planned, however, actual performance for Cash and borrowing ended \$3.7m better than budget. This was driven by i) timing on key projects e.g. SHMPAC and ii) Cash reserves being \$5.6m higher than expected as a result of subsidies received. Even though the net result is \$3.7m better than budget, council still ensured a complimentary level, 72%, of Capex was completed. This included achieving 75% of planned spend to improve services and ~70% of planned Infrastructural renewal works going ahead.

Te Whakahaere Pūtea

Managing the money

Rotorua Lakes Council has spent over \$130 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. In addition, over \$56 million has been spent on capital works to renew assets or create new facilities and amenities for our future Rotorua.

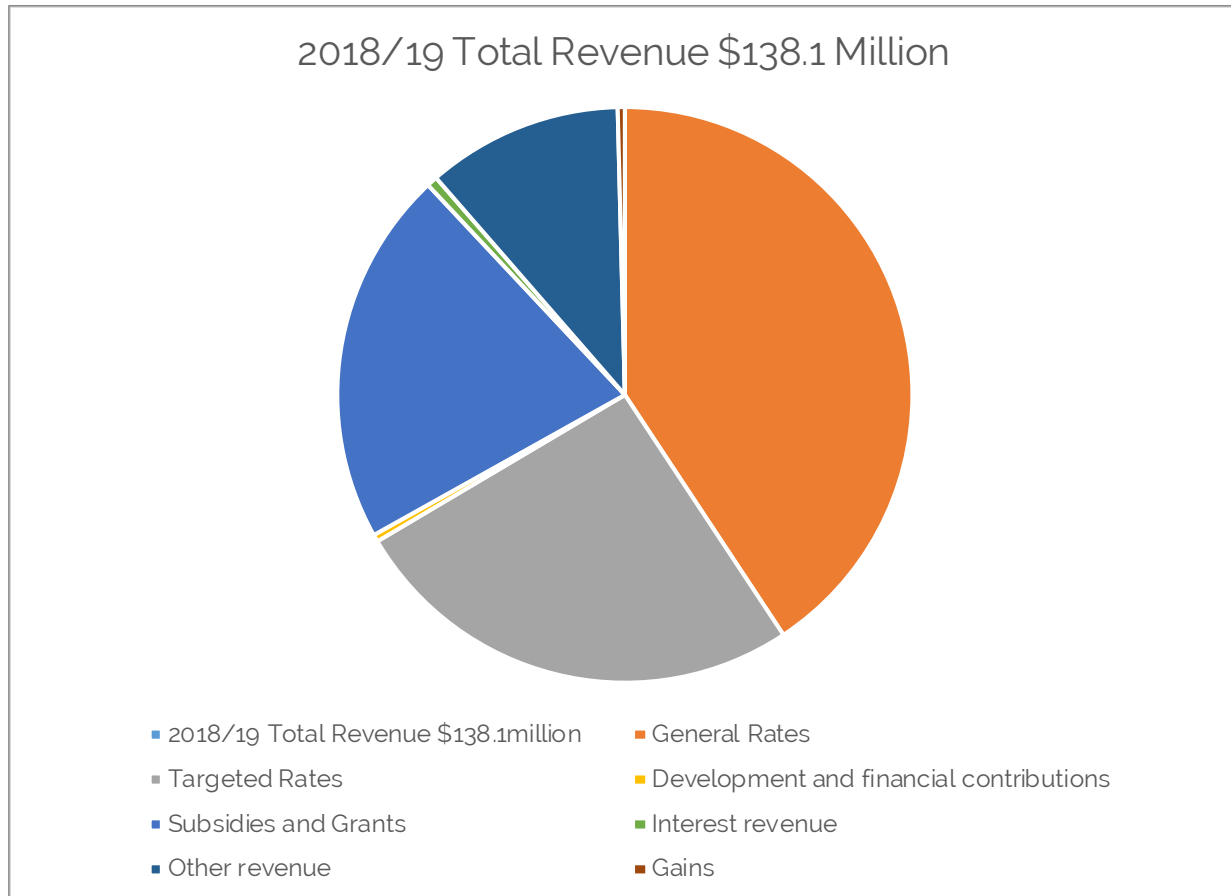
We manage \$1.2 billion worth of assets infrastructure including roads, bridges, halls, land, recreation and leisure facilities, drains, water and waste water infrastructure, libraries and parks.

Money comes in from rates on property, government grants, user charges and fees, and sometimes from Council's own businesses.

Money goes out for construction, maintenance, wages, grants to community groups and many other services to the community like library, aquatic centre, emergency management and planning and regulatory programs.

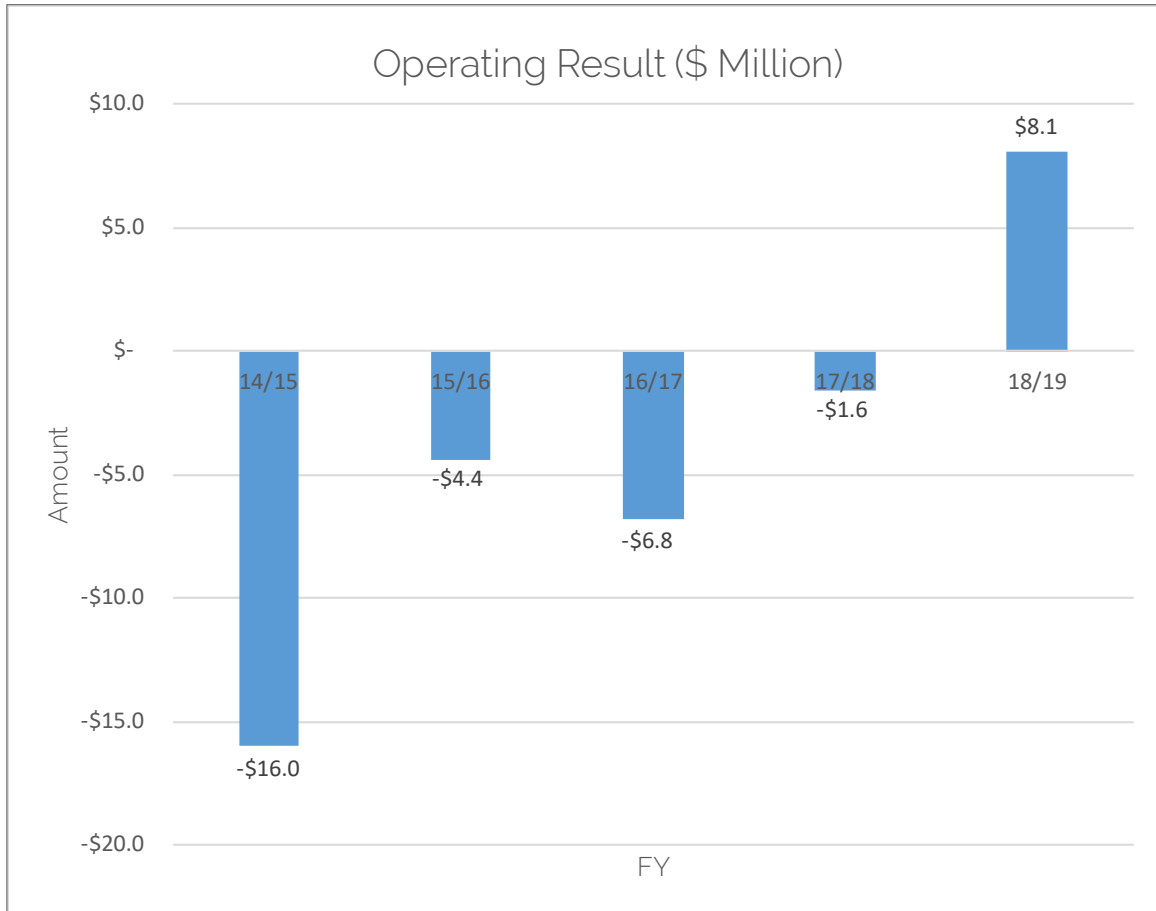
Where did our money come from?

This year income from rates (from both general and targeted) contributed \$91.8 million or 67% of total operating revenues (2017/18 \$86.0 million; 71 %). In addition to this, income was generated from fees and charges \$5.65 million; 4%, (\$5.73 million: 5% 2017/18) and Central Government grants and subsidies. \$29.2 million; 21%, (\$14.5 million: 12% 2017/18).



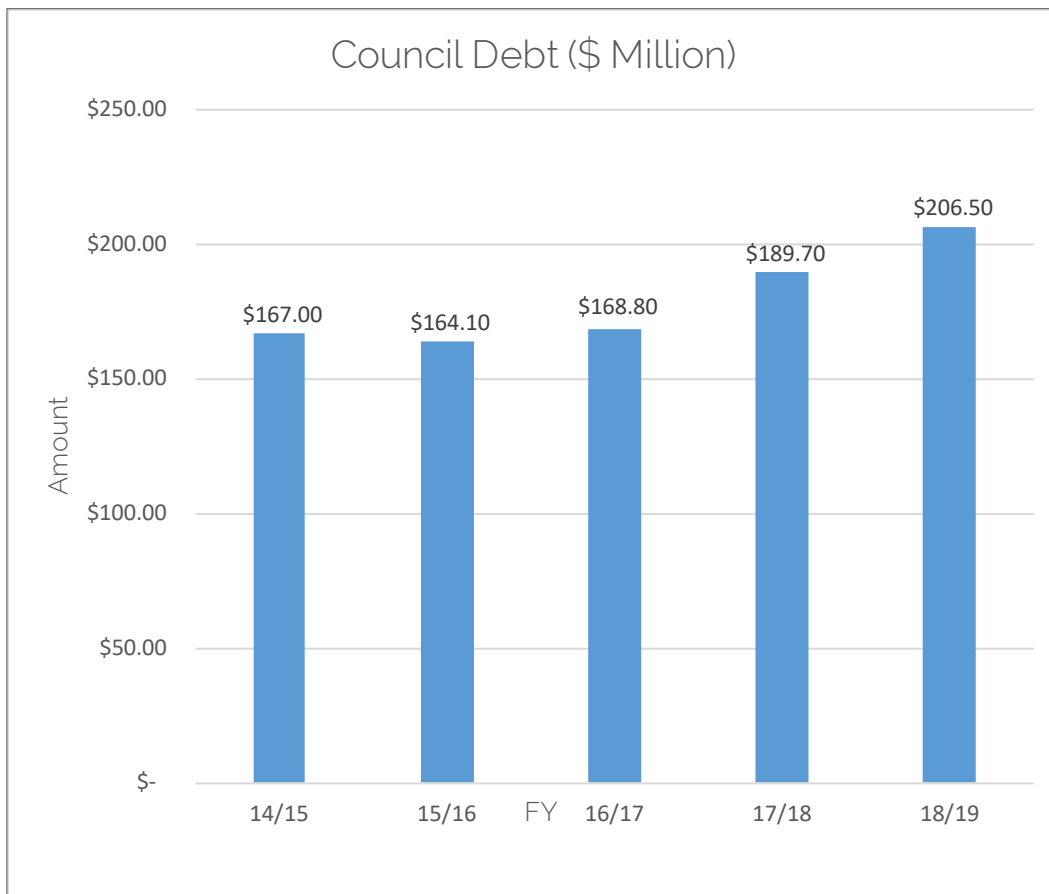
How does our performance compare with previous years?

We have generated a net surplus of \$8.09 million in 2018/19. The surplus is the reported revenue (\$138.1 million) less reported expenses (\$130 million) which includes depreciation.



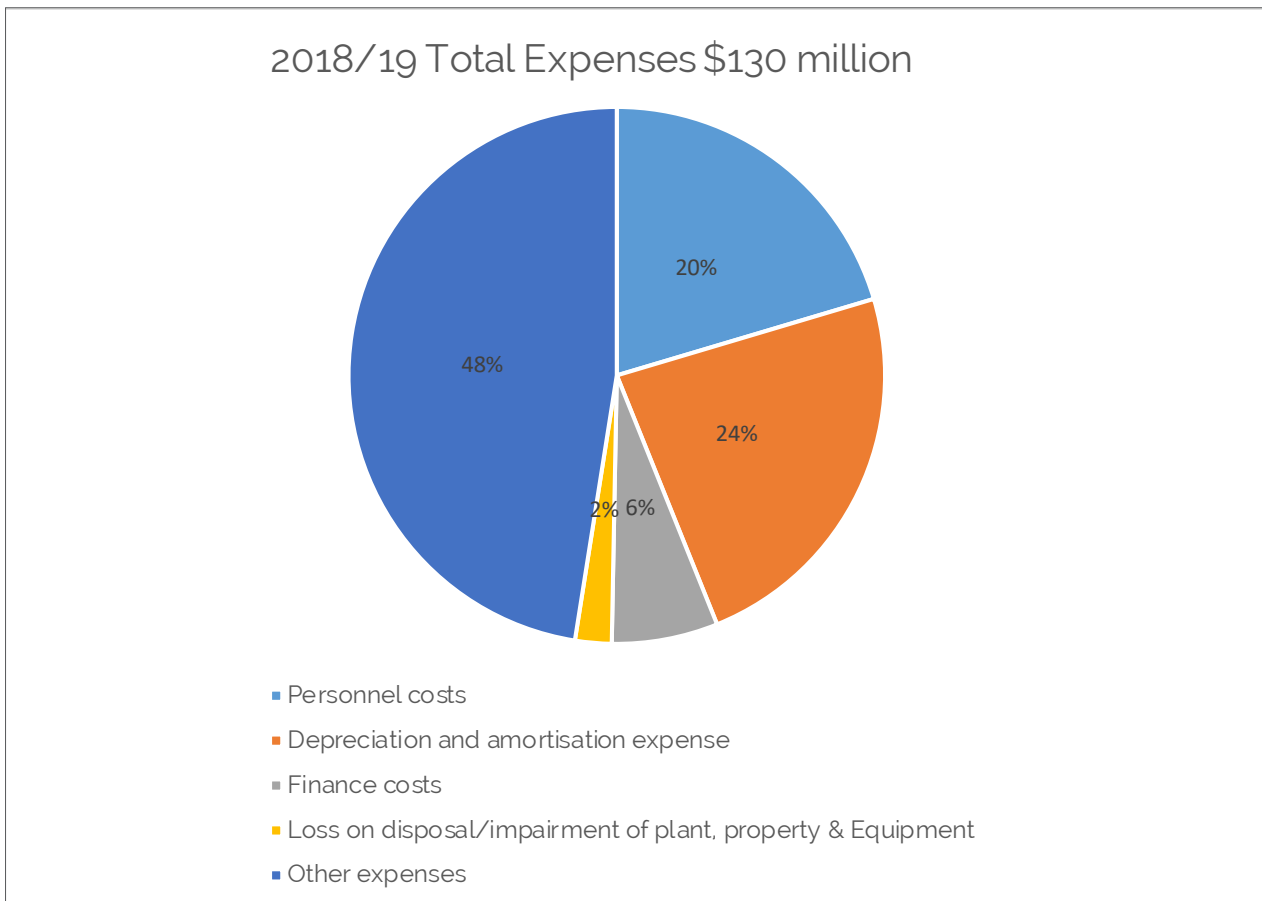
Council Debt

Debt increased by \$16.85 million from prior year to \$206.5 million. Borrowing is used by Council so that costs of new facilities or infrastructure and any associated improvements can be spread over the multiple generations that are expected to benefit from the improvement rather than loading all the costs to one generation. Despite the increase in debt Council still manages to maintain on average above 80% equity in our asset base.

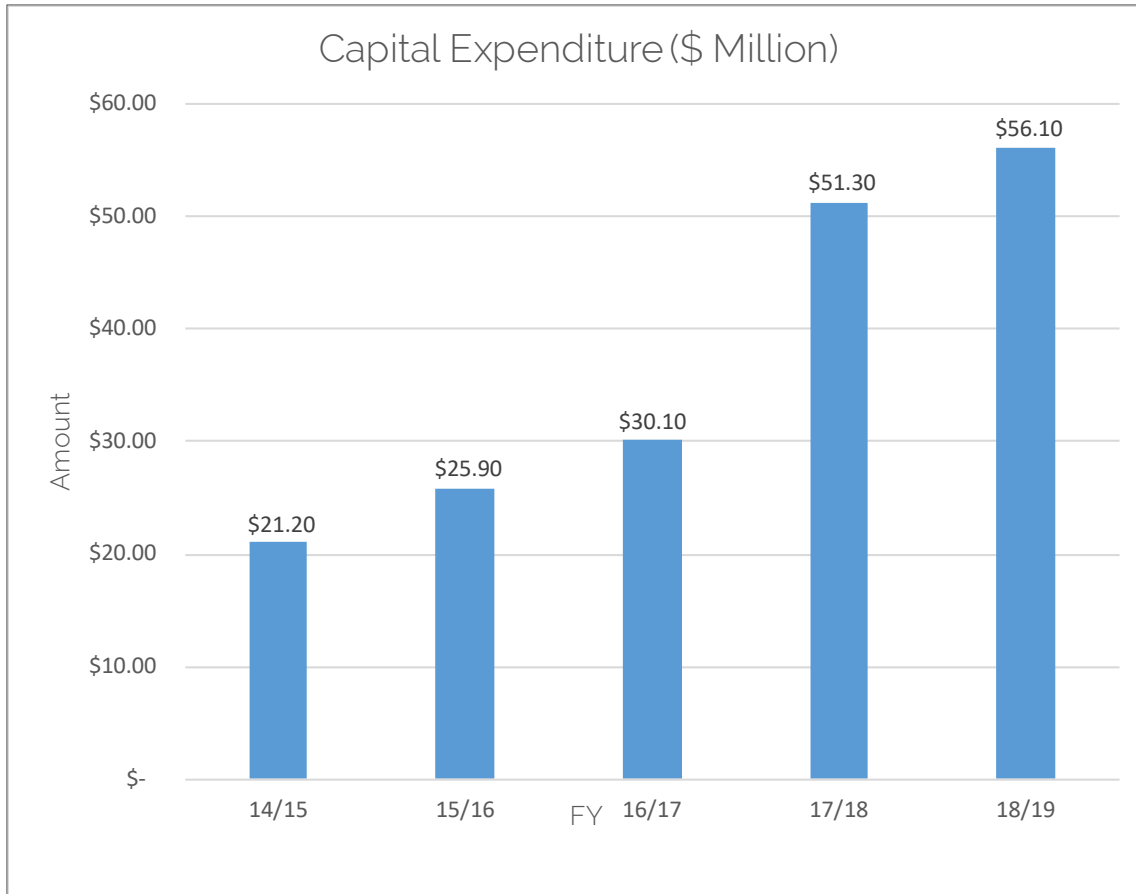


Where was the money spent?

The increase in borrowing was driven by capital expenditure on a few large projects, namely the Rotoiti/Rotomā sewage works of \$17.4m, various roading repairs and upgrades costing in the region of \$13m, ensuring a stable water supply network \$4.3m as well as over \$7m on maintaining recreational parks and reserve areas.



Capital Expenditure (\$ Million)



Overall we spent \$56 million on projects that renewed our assets (\$19.2m), increased their level of service (\$35m) or expanded them due to growth in our district (\$1.9m). This was \$21.6 million lower than our planned budget of \$77.6 million and was largely driven by a few key projects such as the Aquatic Centre, Kuirau Park and the Sir Howard Performing Arts centre that were deferred as investigation works and additional planning were carried out. In addition, in order to prevent undue disturbance to residents and visitors some water and drainage works were also deferred in order to coincide with expected NZTA road works i.e. Te Ngai Road. These plus some other important projects have been identified below in the Capital pressures table.

Capital Pressures:

The 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 needs therefore to be flexible.

| Project | \$ spend 18/19 '000 | Comment – note over or under budget and why |
|--|---------------------|---|
| Rotorua Museum | 719 | Broadly in line with budget and although the material spend is expected over the next few years more than \$30m of funding has been secured. |
| Sir Howard Morrison Performing Arts Centre | 840 | Under budget - Further investigative and planning work has resulted in this project being deferred to the next financial year. |
| Aquatic Centre | 290 | Under budget – further clarification of the project scope as a result of investigative works which highlighted previously unknown issues resulted in deferment. |
| Lake Front | 1,798 | Over Budget – This number reflects the capital expenditure however MBIE funding is based on a 50/50 split and therefore net cost to council is only 50% of any stated expenditure |
| Whaka Forest | 1,980 | Under budget - Slightly under budget due to timing across the financial year and MBIE funding received with key works focused around Long Mile Road, Tarawera Road and Forest Hub 2 construction |
| Wastewater treatment plant | 2,035 | Over budget – part of the preliminary design and work for the proposed WWTP upgrade and water discharge . Any overspend within the projects is being managed across Sewerage to maintain costs in line with LTP |
| Rotoiti/Rotoma Sewerage | 17,440 | Under budget – over the life of the project spend is expected to be in line with LTP. The current year spend was driven by construction and reticulation works. The timing of works starting and contractor availability has resulted in the budget variance. |

Te tūhono i te tirohanga ki te mahi

Connecting vision to action

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.



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

The museum is part of Rotorua's history and a facility we all take great pride in as a place that tells the stories of our district and of Te Arawa. Restoration and re-opening of our whare taonga is vital for both our community and as a visitor attraction. Following the Kaikoura earthquake in November 2016 the Museum had to be closed. Extensive investigations have been undertaken to fully understand the condition of the building, which was constructed in 1908, and ground conditions. Council is committed to restoring our world renowned Museum. This requires seismic strengthening of the building and corrective measures to address issues regarding the age of the building, environmental impacts and deferred maintenance.

A year of considerable behind the scenes work has seen the completion of all seismic assessment work on the museum. Developed design work has been completed giving us a clear understanding of the scope of the work, the costs and the architectural look and feel. A resource consent has been obtained that covers all the heritage impacts and concept designs for all aspects of the project. In addition to this significant funding from the Rotorua Energy Charitable Trust (\$10m) and Lotteries Grant (\$6m) has been secured. At the close of the financial year, we were still awaiting the outcome of a funding request to government for the balance of the construction costs. In August funding of \$20 million from the Provincial Growth Fund and Ministry of Culture and Heritage was formally announced.



Aquatic Centre

Rotorua is surrounded by lakes and rivers as part of our active environment. It is imperative that our children have access to safe, fun aquatic facilities for both access to water safety programmes and for leisure. The 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
- Teaches more than 11,000 children annually in learn-to-swim programmes

Council will develop a masterplan that will focus on bringing the service up to the level our community expects, including:

- Fixing and deepening the outdoor 50m heated outdoor pool (now 43 year old)
- Replacing roofing, installing a new hi-vac system and upgrading the main pool hall
- Constructing a dedicated learn-to-swim pool
- Enhancements to the main entrance and changing facilities.

More investment and additional features like a bomb pool, water slides and outdoor play areas will be reliant on establishing partnerships with external investors.

A conceptual masterplan has been developed for the Aquatic Centre. This will focus on bringing the facility and service up to the level our community expects. The past 12 months have seen a focus on building a detailed understanding of the condition of the facility (including land stability). This has included extensive investigations of the roof structure of the main building and the ground conditions under the existing 50m pool.



Sir Howard Morrison Performing Arts Centre

Closure of the Sir Howard Morrison Performing Arts Centre for earthquake strengthening has provided the opportunity to review the future value proposition of the arts and culture offerings in Rotorua. There are two key objectives for this project:

- Establishing the facility as a fit-for-purpose performing arts centre while protecting what is a Category One heritage building; and
- Addressing long-term issues of earthquake strengthening, repairs (including from previous additions to the building) and deferred maintenance.

Detailed work on the condition of the building has been undertaken and a resource consent for the rebuild has been obtained so that work can begin by the end of 2019. All preliminary design work has been completed and the final funding that was needed to complete the rebuild has been secured through the confirmation of \$4 million from Lottery's and \$7 million from the council.



Wastewater treatment plant upgrade

Council signed a deed with Central North Island Iwi Limited (CNI) in 2014 to end treated effluent disposal in Whakarewarewa Forest by December 2019 as the forest system is considered unsustainable. Council has since worked with key stakeholders including iwi to explore and identify a better, more sustainable wastewater treatment and management alternative. The preferred, alternative to the forest discharge, solution agreed by the majority of parties includes a full upgrade of the existing wastewater treatment plant to a full membrane bioreactor plant with provision for improved nutrient removal, an ultraviolet disinfection system and significantly increased treatment capacity to cater to future projected demand arising from growth.

The design of the proposed new treatment plan has been completed and accurate costs for its construction have been determined through competitive tendering. A resource consent application has been lodged for the proposed new plant. The consent application is being processed through the Environment Court. Depending on the outcome of the consent application, the proposed treatment plant will either be upgraded as per the proposed design or it may be modified to meet any new consent conditions that the Environment Court may stipulate. Council is now awaiting the outcome of the consent application before is in a position to determine final construction timeframes.

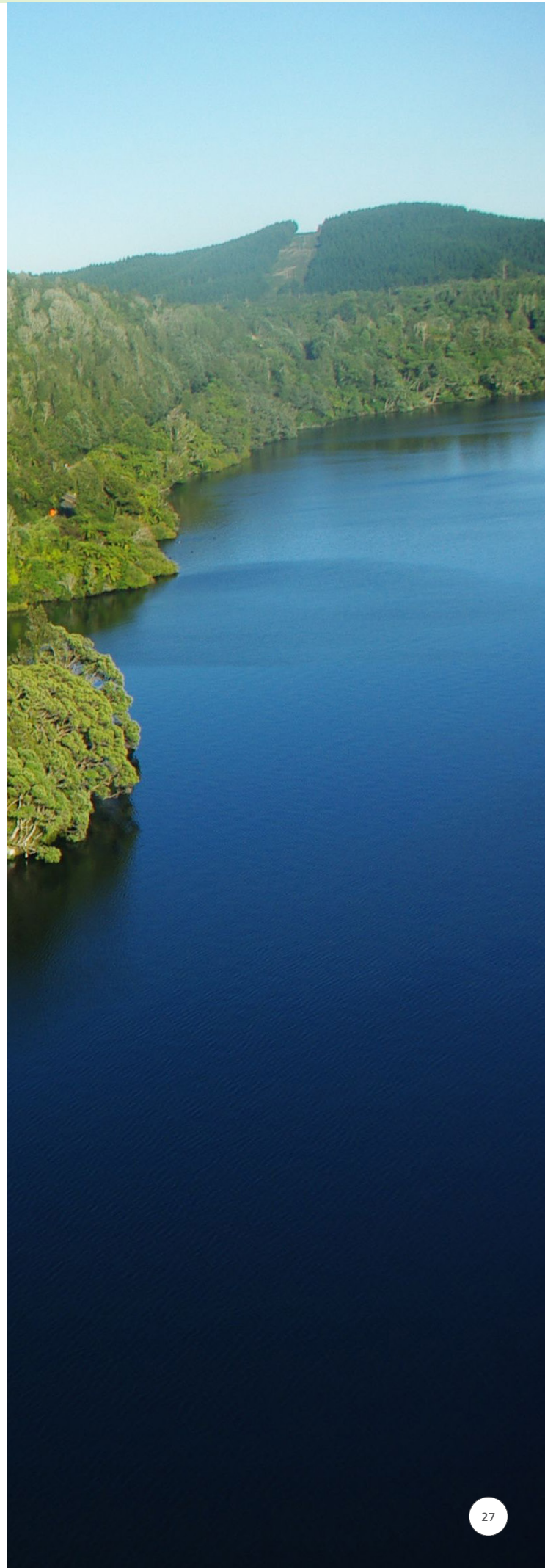


East Rotoiti/Rotomā sewerage scheme

Council committed in the 2017/18 Annual Plan to a reticulated sewerage scheme for East Rotoiti/Rotomā following engagement with the community. With significant support from the community the scheme has proceeded. There are approximately 700 properties in the service area for this scheme, which will replace current septic tanks. Properties will connect, through a mains reticulation network, to a stand-alone wastewater treatment plant which will treat wastewater to a very high standard and in compliance with granted resource consent conditions, before it is discharged to land.

During the 2018/19 year the mains reticulation system in Rotoma and to the treatment plant has been completed. About 90% of all Rotoma on property pre-treatment systems have been installed and are ready to connect to the mains network. The waste water treatment plant that we service both the Rotoma and Rotoiti communities has been constructed and commissioned. Presently the plant is going through testing and calibration to commence receiving pre-treated waste water from the Rotoma sector of the scheme.

The mains reticulation network construction contract for Rotoiti has been awarded and installation has commenced; and the procurement process to obtain the right on-property pre-treatment system for Rotoiti has commenced. Tenders are expected to be called in the near future.





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 will create 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.

The lake edge will be improved with a boulevard style pathway for pedestrians and cyclists, roading changes will include moving and improving visitor and coach parking, a new waka house will be constructed, public toilets will be upgraded and an enhanced childrens play area created. The plan also includes creation of a building site for commercial operations where investors could establish restaurants, cafés, kiosks and ticketing offices for lake activities.

The plan creates a destination to align with the quality aspirations of surrounding private investments already underway or planned.

In October 2018 the Government's Provincial Growth Fund granted \$19.9 million towards the project a substantial investment into the economic objectives of the project. The resource consent application for stage 1 (lake edge) was lodged with the Bay of Plenty Regional Council and Council has also lodged an application to Te Arawa Lakes Trust for a license to occupy the lake front for the new jetties.

Site works commenced with the demolition and site clearance in the area that was the old Scout den and tenders were called for and engaged for the stage one works. This will commence once the resource consent is confirmed. A number of workshops for children were run in order to develop ideas and concepts for the proposed childrens' playground area. This led to the completion of the detail design for stage two (the playground and carpark on memorial drive).





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 identifies key recreational, cultural and commercial development opportunities, specifically in the Tokorangi block that includes the Redwoods area and the project will integrate trails, develop an outdoor event area, playground and picnic areas and improved parking.

In October 2018 the Government's Provincial Growth Fund 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 supports Council's investment of \$7.5 million.

Initial work started on the Long Mile Road entrance, and access for coach and public parking progressed into development of a shared path and lighting installation along Long Mile Road. Resource consent was obtained for the Tarawera Road forest hub and the construction contract for forest hub 2 was issued.



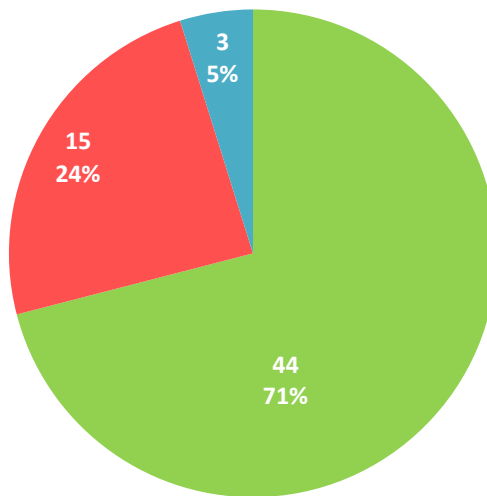
He aronga poto: Te āhua o ngā Ratonga

At a glance: Service Performance

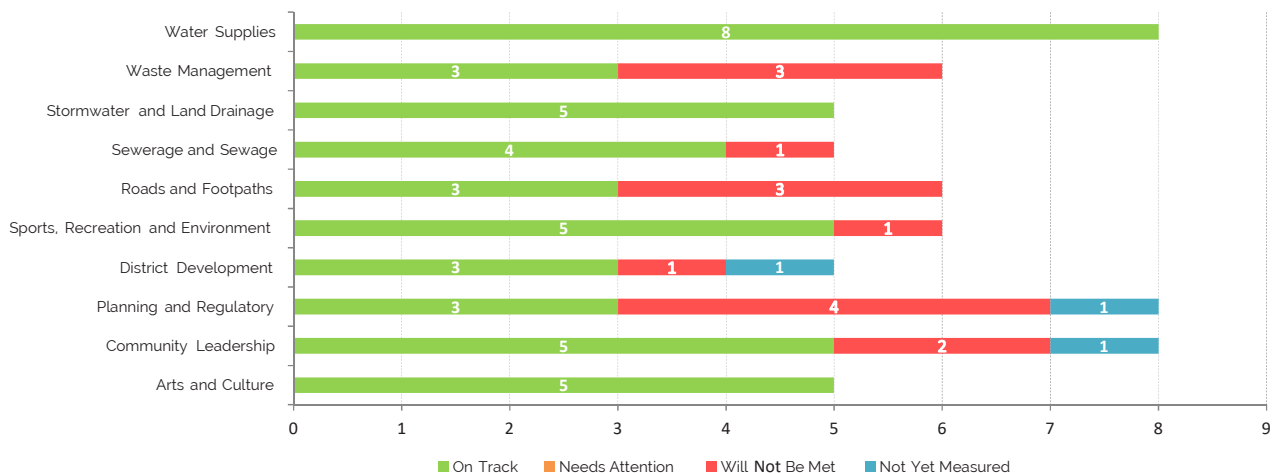
The 2018-28 Long-term Plan arranges Council's services into 10 activities, setting 62 KPIs to measure the performance of its services. For this financial year 59 KPIs have been reported on, with 3 KPIs that have not been able to be measured.

Performance Targets Summary

■ On Track ■ Needs Attention ■ Will Not Be Met ■ Not Yet Measured



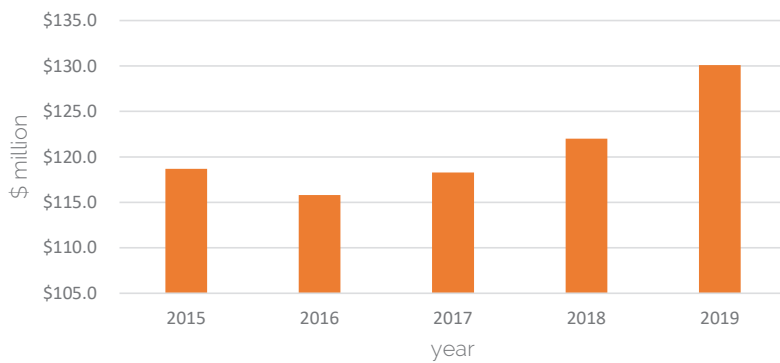
Key Performance Targets by Activity Group



Te whakahaere pūtea

Financial performance

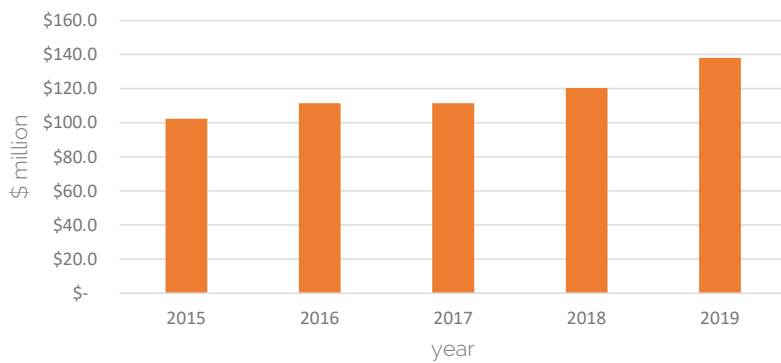
Total Council Expenditure



Total Council Expenditure

Total expenditure has increased due to volatile electricity prices, maintenance costs e.g Museum artefact moving and restoration, and depreciation following asset revaluations.

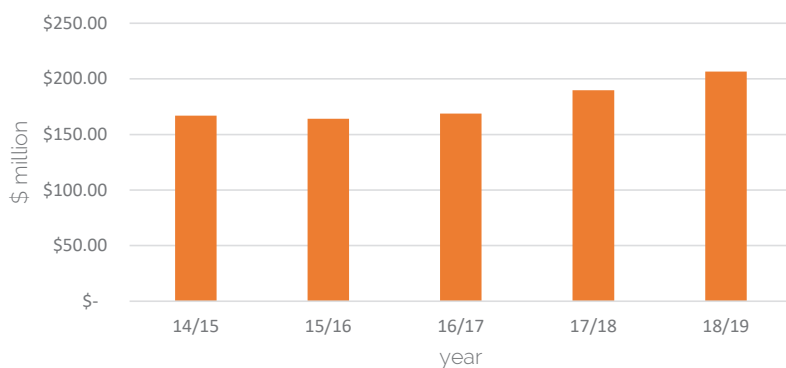
Total Council Revenue



Total Council Revenue

Total revenue has increased from prior year due to an increase in rates due to growth in the region and higher Central Government grants and subsidies.

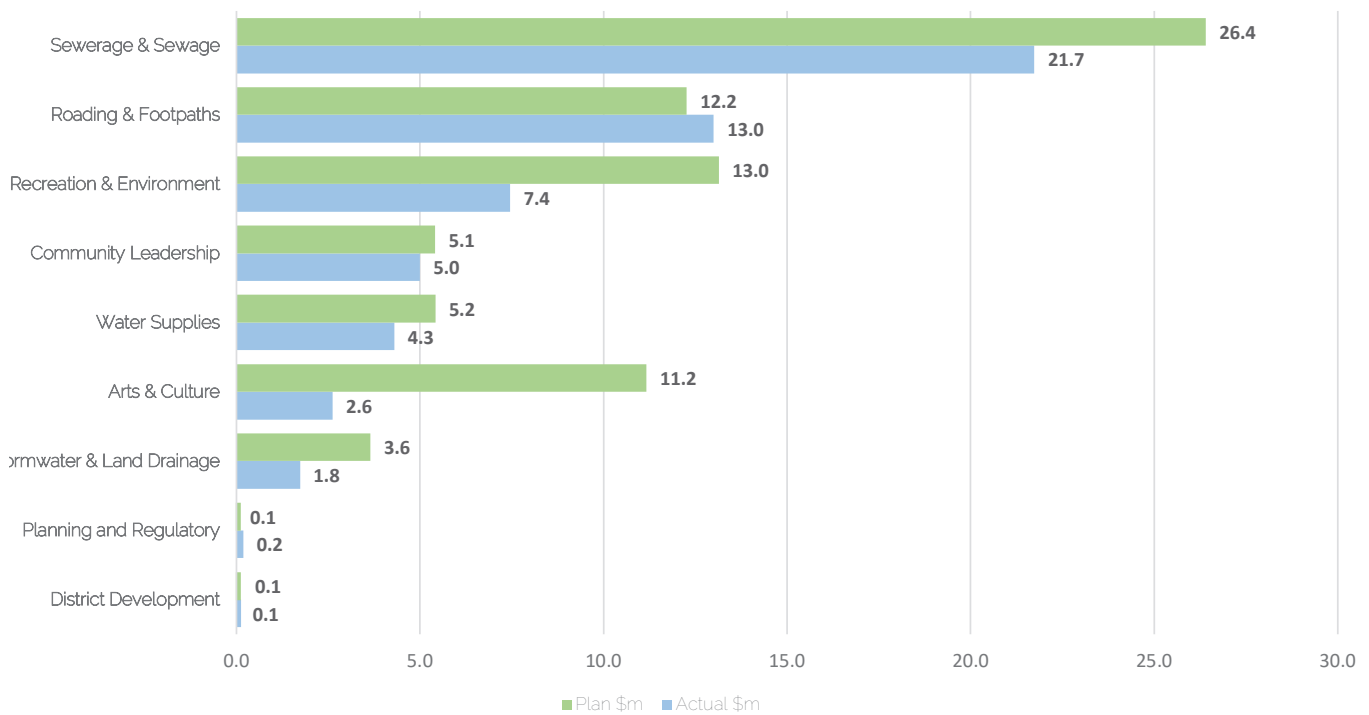
Total Council Debt



Total Council Debt

The increase in debt was driven by capital expenditure on a few material projects namely Rotoiti/Rotoma Sewage Works, various roading repairs and upgrades and ensuring a stable water supply network.

Capital Expenditure 2018-19 Actual vs Plan \$million



Key Variances:

Sewerage & Sewage:

The variance in asset renewal expenditure for Sewerage&Sewage in the 2018/19 year was because of further detail technical investigation required to better target critical assets rehabilitation. The deferred expenditure in this 18/19 year will be fully reinvested in the rehabilitation of consumed assets in upcoming years so the overall asset renewal investment in this activity remains consistent with the Infrastructure Strategy and maintains the target asset condition.

Sport & Rec:

Driven by largely by i) Aquatic centre as additional investigative work and clarification on project scope undertaken and ii) Whaka forest largely due to timing of spend across the financial year.

Arts & Culture:

Deferment of SHMPAC works to next year as further investigative and planning work has been undertaken in order to align outcome with community and district needs.

Notes to the financial statements

1: Statement of accounting policies

Reporting Entity

Rotorua District 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 District Council group (Group) consists of the ultimate parent, Rotorua District Council (Council) and its subsidiaries Rotorua Regional Airport Limited (100% owned), Rotorua Economic Development Limited (100% owned), InfraCore Limited (100% owned), and jointly controlled entities Terax 2013 Limited (50% owned) and Terax Limited Partnership (50% owned). The Council's subsidiaries and jointly controlled entities 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) for the purposes of complying with generally accepted accounting practice.

The financial statements of the Council and the Group are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 24 October 2019.

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 30 October 2019.

The full financial statements are available on Rotorua Lakes Council's website (www.rotorualakescouncilnz/our-council/council-publications/Annualreports).

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.

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 2019

| | Notes | Council | | | Group | |
|--|-------|---------|---------|---------|---------|---------|
| | | 2019 | 2019 | 2018 | 2019 | 2018 |
| | | actual | budget | actual | actual | actual |
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | | |
| Rates | 2 | 91,818 | 92,518 | 85,982 | 91,722 | 85,885 |
| Development and financial contributions | 5 | 574 | - | 741 | 574 | 741 |
| Subsidies and grants | 3 | 29,202 | 28,653 | 14,475 | 29,202 | 14,475 |
| Interest revenue | 4 | 858 | 134 | 578 | 346 | 111 |
| Other revenue | 6 | 15,184 | 15,955 | 17,594 | 21,646 | 22,931 |
| Gains | 7 | 510 | - | 1,028 | 510 | 1,050 |
| Total revenue | | 138,146 | 137,260 | 120,398 | 144,001 | 125,193 |
| Expenses | | | | | | |
| Personnel costs | 8 | 26,594 | 25,509 | 25,971 | 39,330 | 37,567 |
| Depreciation and amortisation expense | 19 | 30,503 | 23,774 | 28,419 | 33,300 | 30,998 |
| Finance costs | 4 | 8,300 | 8,054 | 7,583 | 8,300 | 7,583 |
| Loss on disposal/impairment of plant, property & equipment | 9 | 2,825 | - | 3,798 | 2,847 | 3,940 |
| Other expenses | 9 | 61,837 | 59,709 | 56,244 | 52,605 | 46,197 |
| Total expenses | | 130,059 | 117,046 | 122,015 | 136,382 | 126,285 |
| Surplus/(deficit) before tax | | 8,087 | 20,214 | (1,617) | 7,619 | (1,092) |
| Income tax expense | 10 | - | - | - | (63) | (8) |
| Surplus/(deficit) after tax | | 8,087 | 20,214 | (1,617) | 7,682 | (1,084) |
| Other comprehensive revenue and expense | | | | | | |
| Items that could be reclassified to surplus/(deficit): | | | | | | |
| Net change in fair value of hedges | 25 | 89 | - | 156 | 89 | 156 |
| Net change in fair value of investment | 25 | 2,179 | - | 17,451 | (1) | (132) |
| Items that will not be reclassified to surplus/(deficit): | | | | | | |
| Revaluation on property, plant & equipment | 25 | 3,992 | 15,860 | 14,388 | 6,578 | 31,439 |
| Revaluation on intangibles | 25 | 73 | - | - | 73 | - |
| Total other comprehensive revenue and expense | | 6,333 | 15,860 | 31,996 | 6,740 | 31,464 |
| Total comprehensive revenue and expense | | 14,420 | 36,074 | 30,379 | 14,421 | 30,380 |

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of Changes in Equity

for the year ended 30 June 2019

| Notes | Council | | | Group | |
|-------|---------|--------|--------|--------|--------|
| | 2019 | 2019 | 2018 | 2019 | 2018 |
| | actual | budget | actual | actual | actual |
| | \$000 | \$000 | \$000 | \$000 | \$000 |

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Balance as at 1 July | 1,053,363 | 1,005,761 | 1,022,984 | 1,053,365 | 1,022,985 |
| Surplus (deficit) after tax | 8,087 | 20,214 | (1,617) | 7,682 | (1,084) |
| Other comprehensive revenue and expense | 6,333 | 15,860 | 31,996 | 6,740 | 31,464 |
| Balance as at 30 June | 1,067,783 | 1,041,835 | 1,053,363 | 1,067,786 | 1,053,365 |

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of Financial Position

as at 30 June 2019

| | Notes | Council | | | Group | |
|--|-------|-----------|-----------|-----------|-----------|-----------|
| | | 2019 | 2019 | 2018 | 2019 | 2018 |
| | | actual | budget | actual | actual | actual |
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash & cash equivalents | 11 | 6,727 | 1,154 | 440 | 8,725 | 4,961 |
| Debtors & other receivables | 12 | 18,797 | 17,275 | 14,103 | 17,424 | 12,649 |
| Inventories | 15 | 87 | - | 97 | 923 | 1,042 |
| Non-current assets held for sale | 16 | 200 | 4,000 | 340 | 200 | 340 |
| Provision for taxation | 10 | - | - | - | - | - |
| Total current assets | | 25,811 | 22,429 | 14,980 | 27,273 | 18,992 |
| Non-current assets | | | | | | |
| Loans & receivables | 12 | 14,548 | 14,400 | 15,151 | 148 | 151 |
| Property, plant and equipment | 17 | 1,210,476 | 1,202,230 | 1,183,324 | 1,278,052 | 1,246,748 |
| Intangible assets | 18 | 3,699 | 4,280 | 3,692 | 4,244 | 4,129 |
| Other financial assets | | | | | | |
| - Investment in CCO's and other similar entities | 14 | 52,331 | 34,950 | 50,166 | 85 | 69 |
| - Investment in other entities | 14 | 3,364 | - | 2,795 | 3,364 | 2,795 |
| Total non-current assets | | 1,284,419 | 1,255,860 | 1,255,128 | 1,285,893 | 1,253,892 |
| Total assets | | 1,310,230 | 1,278,289 | 1,270,108 | 1,313,166 | 1,272,884 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Payables and deferred revenue | 21 | 29,504 | 26,111 | 21,572 | 29,867 | 22,375 |
| Provisions | 24 | 68 | 200 | 95 | 87 | 123 |
| Employee entitlements | 23 | 3,019 | 3,173 | 3,021 | 4,175 | 4,166 |
| Borrowings and other financial liabilities | 22 | 17,810 | 32,400 | 48,960 | 18,211 | 48,961 |
| Derivative financial instruments | 13 | - | - | 89 | - | 89 |
| Total current liabilities | | 50,401 | 61,884 | 73,737 | 52,340 | 75,714 |
| Non-current liabilities | | | | | | |
| Payables and deferred revenue | 21 | - | - | - | - | - |
| Provisions | 24 | 3,283 | 2,235 | 2,200 | 3,283 | 2,200 |
| Employee Entitlements | 23 | 91 | 105 | 109 | 91 | 109 |
| Borrowings and other financial liabilities | 22 | 188,700 | 172,230 | 140,700 | 188,700 | 140,700 |
| Deferred Tax | 10 | - | - | - | 997 | 797 |
| Total non-current liabilities | | 192,074 | 174,570 | 143,009 | 193,071 | 143,806 |
| Total liabilities | | 242,475 | 236,454 | 216,746 | 245,411 | 219,520 |
| Net assets (assets minus liabilities) | | 1,067,755 | 1,041,835 | 1,053,362 | 1,067,755 | 1,053,364 |
| Equity | | | | | | |
| Accumulated funds | 25 | 727,112 | 726,615 | 717,717 | 727,112 | 717,719 |
| Reserves | 25 | 340,645 | 315,220 | 335,646 | 340,645 | 335,646 |
| Total equity | | 1,067,756 | 1,041,835 | 1,053,363 | 1,067,756 | 1,053,364 |

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Statement of Cashflows

For the year ended 30 June 2019

| Notes | Council | | | Group | |
|-------|---------|--------|--------|--------|--------|
| | 2019 | 2019 | 2018 | 2019 | 2018 |
| | actual | budget | actual | actual | actual |
| | \$000 | \$000 | \$000 | \$000 | \$000 |

| Cash flows from operating activities | | | | | | |
|--------------------------------------|----|----------|----------|----------|----------|----------|
| Receipts from rates revenue* | | 90,189 | 92,179 | 85,515 | 89,954 | 85,876 |
| Interest received | | 858 | 134 | 578 | 346 | 111 |
| Dividends received | | 2 | - | 1 | 2 | 1 |
| Receipts from other revenue* | | 45,294 | 44,608 | 34,548 | 48,161 | 40,172 |
| Payments to suppliers * | | (56,743) | (58,454) | (55,179) | (43,765) | (48,556) |
| Payments to employees | | (26,614) | (25,509) | (25,970) | (39,339) | (37,835) |
| Interest paid | | (8,427) | (8,054) | (7,349) | (8,427) | (7,314) |
| Income tax paid/refunded | | - | - | - | - | 797 |
| Goods and Services Tax (net) | | 230 | - | 437 | 140 | 541 |
| Net cash from operating activities | 26 | 44,789 | 44,904 | 32,581 | 47,072 | 33,793 |

| Cash flows from investing activities | | | | | | |
|---|--|----------|----------|----------|----------|----------|
| Receipts from sale of property, plant and equipment | | 2,269 | 2,600 | 4,654 | 2,351 | 3,439 |
| Loan advances repaid | | 603 | - | - | - | - |
| Purchase of property, plant and equipment | | (55,402) | (77,580) | (50,659) | (61,248) | (54,763) |
| Purchase of intangible assets | | (1,403) | - | (1,739) | (1,664) | (2,104) |
| Repayment of loans and receivables | | - | - | (93) | - | - |
| Loan advances made | | (850) | - | (840) | - | - |
| Purchase of financial assets | | (569) | - | (682) | - | (550) |
| Net cash from investing activities | | (55,352) | (74,980) | (49,359) | (60,561) | (53,978) |

| Cash flows from financing activities | | | | | | |
|--------------------------------------|--|----------|--------|----------|----------|----------|
| Proceeds from borrowings | | 68,620 | 30,230 | 32,410 | 69,023 | 37,972 |
| Repayment of borrowings | | (51,770) | - | (17,000) | (51,770) | (17,000) |
| Net cash from financing activities | | 16,850 | 30,230 | 15,410 | 17,253 | 20,972 |

| | | | | | | |
|---|--|-------|-----|---------|-------|-----|
| Net (decrease)/increase in cash, cash equivalents | | 6,287 | 154 | (1,368) | 3,764 | 787 |
|---|--|-------|-----|---------|-------|-----|

| | | | | | | |
|---|--|-----|-------|-------|-------|-------|
| Cash, cash equivalents at the beginning of the year | | 440 | 1,000 | 1,808 | 4,961 | 4,174 |
|---|--|-----|-------|-------|-------|-------|

| | | | | | | |
|------------------------------------|----|-------|-------|-----|-------|-------|
| Cash, cash equivalents at year end | 11 | 6,727 | 1,154 | 440 | 8,725 | 4,961 |
|------------------------------------|----|-------|-------|-----|-------|-------|

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

* This includes amounts received and paid on behalf of and from BOPRC, NZTA and petrol tax.

Additional Explanation of major variances against budget

Statement of comprehensive revenue

The major reasons for the variance between actual and budgeted result of \$12.1 million are:

Revenue

Overall revenue was higher than budget by \$0.9 million due to the following:

- Subsidies and grants - \$0.5m favourable overall with \$0.2m of this variance relating to donations received for the museum and the remainder due to higher NZTA subsidies.
- Other Revenue was \$0.5m favourable when including interest revenue and other gains as interest received from loans to the airport and gains on property sales were partially offset due to lower parking revenues, including prosecutions, as a result of the delay in the i-Park technology roll out.

Expenditure

Overall expenditure was higher than budget by \$13 million due to the following:

- Loss on disposal/impairment of plant, property & equipment - Was unbudgeted for and resulted in a \$2.8m unfavourable variance.
- Depreciation Expense - Was unfavourable by \$6.7m primarily due to the effect of the 2017 & 2018 building revaluation. The building depreciation budget was set prior to the revaluation being available.
- Other Expenses - \$3.2m unfavourable overall and mainly driven by the following reasons:
- Personnel cost are \$1.1m higher than budget due larger amounts of overtime being incurred due to unforeseen events e.g. Ngongotaha floods which resulted in a number of staff assisting outside of normal hours.
- Further increases are explained by the cost of new hires and as a result of staff realignment to market rates which were not included in budget figures.
- The remainder of the unfavourable variance is largely due to the impact of unfavourable electricity spot prices which escalated from October 2018 and reactive maintenance works due to aging Infrastructure

Other comprehensive revenue and expenses was \$2.2m favourable against budget primarily due to the revaluation of council infrastructural assets. This is a non-cash movement reflecting the increased value of designated infrastructural assets.

Statement of financial position

Overall Net assets of \$ 1.067 billion are comparable to the budgeted amount of \$1.041 billion. Significant variances are as follows:

Current Assets

- Cash and cash equivalents were \$5.6m higher than budget due to timing of various subsidies received partially offset by a number of properties (non-current assets held for sale) that were expected to sell continuing to be held which resulted in an unfavourable variance of \$3.8m
- Debtors and other receivables were \$2.3m higher than budget

Non - current assets

- Property, plant and equipment was \$8.2m higher than budget due to a lower impact of impairment changes than anticipated
- Investments in CCO's are higher than budget by \$17.4m mainly reflecting the gains made by Rotorua Regional Airport Ltd.
- Investments in other entities are higher than budget by \$3.4m due to the increase in holdings of Local Government Funding Authority borrower notes.

Current Liabilities

- Payables and deferred revenue are higher than budget by \$4.2m due to the funding received for a number of project milestone payments that can only be recognised at a later time in line with deliverables achieved
- The total of current and non-current borrowings is \$1.9 million higher than budget due to sourcing of long term funding earlier than planned due to current favourable market rates and reduction in more costly short term funding

Non - current liabilities

- Non - current borrowings higher than budget due to less debt being held short term

Capital commitments and operating leases

| | Council | | Group | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$000 | \$000 | \$000 | \$000 |
| Capital commitments | | | | |
| Buildings | 264 | 269 | 264 | 269 |
| Parks and reserves | 1,887 | 665 | 1,887 | 665 |
| Roading | 16,935 | 17,418 | 16,935 | 17,418 |
| Stormwater | 2,752 | 4,289 | 2,752 | 4,289 |
| Wastewater - other | 10,009 | 10,404 | 10,009 | 10,404 |
| Wastewater treatment | 2,110 | 8,083 | 2,110 | 8,083 |
| Water - other | 520 | 179 | 520 | 179 |
| Water treatment | 513 | - | 513 | - |
| Intangibles | 28 | 402 | 28 | 402 |
| Plant and equipment | - | 47 | 2,048 | 868 |
| Vehicles | - | 108 | - | 108 |
| Total capital commitments | 35,022 | 41,864 | 37,070 | 42,685 |

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

Contingent Liabilities

| | Council | | Group | |
|---|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$000 | \$000 | \$000 | \$000 |
| Financial guarantees | | | | |
| Financial guarantees to community and sporting groups | 49 | 67 | 49 | 67 |
| Performance bond | | | | |
| Performance bond BNZ on behalf of Tourism Rotorua | - | - | - | - |
| Suspensory loan | | | | |
| Housing New Zealand Corporation suspensory loan | 1,532 | 1,532 | 1,532 | 1,532 |
| Legal proceedings | | | | |
| The Group's effective exposure to legal claims | 883 | 5,790 | 883 | 5,790 |
| Total contingent liabilities | 2,464 | 7,389 | 2,464 | 7,389 |

Legal proceedings

The Council is currently facing three legal claims (2018: six). An estimate of Council's share of exposure is \$883,213 (2018: \$5,790,000), and includes an estimate for other known situations out of which a formal claim may arise. The Council does not accept the validity of all these claims and is in the process of resolving them through normal legal avenues.

The Council is also facing a dispute which relates to an alleged breach of Council's Landfill resource consent. An estimate of Council's share of exposure has not been included in the table as the presiding Judge has given instruction to both parties not to disclose any information publically as this could be prejudicial for either party.

Landfill aftercare costs

Council has resource consent to operate the Rotorua Landfill. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

The future management of the landfill will influence the timing of recognition of some liabilities. The landfill was capped in September 2018 and the aftercare provision is based on the following assumptions:

- Cash outflows for the landfill are expected to occur from January 2032 upon expiry of the resource consent.
- Cash outflows for the landfill are expected to cease in 2061 when the strength of any discharges are expected to have reduced to a level at which they are unlikely to have any adverse effects on the environment.
- Estimates of the life have been made by Council's engineers based on historical and projected volume information.
- A discount rate of 2.18% has been used.
- An inflation rate ranging from 1.6% to 1.82% with an average of 1.7% has been applied.
- Lechate costs are expected to reduce by 10% each year for the first ten years, 5% for the next five years and then a flat fee will be applied.

The cash out flows for the landfill post-closure, and as soon as the resource consent expires, are expected to occur in about 12 year's time. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 2.77%.

Subsequent to a Request for Proposal process, Council selected a partner to work with to review the future development of the landfill site. Due to identified financial, environmental and health and safety risks with the landfill, Council and Waste Management New Zealand Limited have capped and sealed the current landfill stages after constructing a transfer station on-site to act as a collection point for the District waste before being loaded to another waste disposal facility. The landfill has potential airspace for more stages, however the investment required to develop additional stages is subject to further study with regards to the viability of the landfill as a regional facility. The landfill aftercare provision does not reflect the Request for Proposal implications, due their current uncertainty.

Pūrongo ā te Kaiarotake **Auditors report**

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Rotorua Lakes Council and group's summary of the annual report for the year ended 30 June 2019

The summary of the annual report was derived from the annual report of the Rotorua Lakes Council (the District Council) and group for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 30 to 41:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2019;
- 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 and group.

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 2019 in our auditor's report dated 30 October 2019.

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
26 November 2019



ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua