



SUMMARY
Annual
Report
2020

ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua



Progress & Highlights 2019/20

- ☀️ Local government election and members sworn in – October 2019
- ☀️ Whakahouhia te Whare Ohanga- Build Back Better Rotorua economic recovery strategy developed
- ☀️ Establishment of sector groups to develop local strategies for economic recovery
- ☀️ Tourism Infrastructure funding of \$293,056 secured for the upgrade of the Tarawera Landing.
- ☀️ Council's Emergency Operations Centre activated for COVID-19 response
- ☀️ Council support the transfer of ownership of land under the Tarawera Landing café to the Tūhourangi Tribal Authority.
- ☀️ Secured \$15 million in funding from the Government's Provincial Growth Fund (PGF) and \$5 million from the Ministry for Culture and Heritage Regional Culture and Heritage Fund towards the strengthening and restoration of the Museum building.
- ☀️ \$2 million of funding secured toward the replacement of the Museum roof.
- ☀️ \$90,000 of funding secured towards construction of a new visitor centre in Tokorangi Forest.
- ☀️ Received the Minister of Local Government's Award for Innovation in Council and Community Relations from the NZ Society of Local Government Managers (SOLGM), for the child equity programme.
- ☀️ Government funding announcement of \$14 million for safety and the reduction of congestion at the Ngongotahā roundabout intersection between State Highways 5 and 36
- ☀️ Dame Patsy Reddy, Governor-General visit to Rotorua

Contents

Te Ngako o tēnei Pūrongo
About this report 5

He kupu nā te Manukura
Mayor’s Message 6

Mai i te toihautū
CE’s Review 8

Manu Mātārae
Elected Members 10

Te Tatau o Te Arawa
Te Arawa Partnership Board 12

Tirohanga Whakamua 2030
Vision 2030 14

He aronga poto: Te whakahaere pūtea
At a glance: Financial performance 16

Te Whakahaere Pūtea
Managing the money 17

Te tūhono i te tirohanga ki te mahi
Connecting vision to action – “progress” 23

He aronga poto: Te āhua o ngā Ratonga
At a glance – Service Performance 31

Te whakahaere pūtea
Financial performance 33

Notes to the financial statements 35

Auditors Report 46

He Mihi Welcome

E ngā ihi

E ngā wehi

E ngā reo kōrero o te ao

Tēnā koutou katoa

To Inner Strength

To Internal Wonder

*To the many languages
across the world*

We greet you.



Te Ngako o tēnei Pūrongo

About this report

This summary annual report covers the performance of Rotorua Lakes Council Group for the period 1 July 2019 to 30 June 2020. Rotorua Lakes Council Group includes the council organisation and council-controlled organisations (CCOs).


The summary report reflects success and the challenges that Council has faced in delivering against year two 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 report is intended to provide important information to a broad range of stakeholders including the Rotorua community, local businesses, non-government organisations, Council partners and other government departments and agencies.

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





He kupu nā te Manukura Mayor's Message

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

I am pleased to present the Rotorua Lakes Council Annual Report for 2019/20. We have made it through another successful year, despite the unprecedented challenges associated with the global COVID-19 pandemic. This report reflects what the Council has delivered against year two of the Long-term Plan 2018-28.

The Long-term Plan (LTP) is the funding and delivery plan that connects service delivery and key projects to the Rotorua 2030 Vision. These, combined with the Spatial Plan, enables us to continue to move forward in challenging times and to shape the future we want for our District over the next 10 years.

The 2019 local body elections were a key event during the past year, taking place in October 2019. We welcomed new faces to the Council table and on the community boards. Following the election, I confirmed Cr Dave Donaldson would remain my deputy mayor – this is a working relationship in which I have great confidence. I also confirmed the previous committee structure would stay in place with Cr Merepeka Raukawa-Tait chairing the Strategy, Policy and Finance Committee and new councillor Sandra Kai-Fong appointed as deputy chair. Cr Tania Tapsell moved from deputy chair to chair of the Operations and Monitoring Committee with new councillor Mercia Yates appointed as the deputy chair. The two community boards re-confirmed Shirley Trumper (Rural Community Board) and Phil Thomass (Lakes Community Board) as their chairs.

The new Council set out the priorities that will provide the direction during this current three-year term. Work was already underway to develop a housing plan for the District to ease our local housing shortage. While not unique to Rotorua, housing was identified by the Council, and by our community, as a key challenge, which requires localised solutions. Housing provision is not something one entity can do alone it requires a collaborative approach. Through partnerships with Te Arawa, central government agencies and other local stakeholders, we have led the development of a plan and a set of actions aimed at alleviating the current housing shortage in Rotorua.

A highlight this year has been the progress of transformational projects, including Kuirau Park improvements and the forest developments. Other key place-making projects have also been progressing well including

redevelopments at the lakefront, restoration of our museum, redevelopment of our performing arts centre and adding to our city network of cycleways and shared paths. As Mayor, I see these projects as promoting inclusiveness and access, while helping to ensure we have thriving neighbourhoods for the benefit of our community now and into the future.

Another highlight was receiving the Minister of Local Government's Award for Innovation in Council and Community Relations from the NZ Society of Local Government Managers (SOLGM) for the Child Equity Programme. This Rotorua Lakes Council programme was piloted at Sunset Primary School and aims to support tamariki living in deprivation. The SOLGM award was a testament to the commitment of all who contributed to providing access to activities, services and experiences. Such services enhance health and wellbeing for our tamariki and can have life-changing implications into adulthood.

I want to pay tribute to the commitment of the Council staff, Sunset Primary School, its wider community and partner groups central to the success of the Child Equity Programme. We want Rotorua to be a place for everyone and that means we need to address the barriers to full participation that exist for our most vulnerable. Every child matters and simple things can have a big impact, as the programme has shown. I think Rotorua can be very proud of this.

In late March 2020, the world changed in response to the COVID-19 pandemic. While in lockdown, the Council united with key partners, including iwi and other local leaders, and developed a local recovery plan, the Rotorua Build Back Better strategy. As a Council, we made the bold decision to focus on positive leadership and to maintain the direction set, whilst also investing in recovery. While many other councils

chose to retrench, reduce services, cut projects and lay off staff, we have worked hard to balance community expectations and priorities with the challenges of COVID-19. The pandemic means a greater effort is required to rebuild and stimulate our economy. Through the efforts of many, I am proud to say that the Council is in a good position; supported by a strong framework of key strategic plans and partners, who are working together to help us achieve the goals of the Rotorua 2030 Vision.

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

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

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



Hon Steve Chadwick JP

Rotorua Mayor



Mai i te toihautū CE's Review

Ngā mihi manahau.

On behalf of the Council and the council organisation, I am delighted to present the Annual Report for 2019/20. This report reflects both the success and challenges that we have faced in delivering year two of our Long-term Plan.

Given the changing environment we are facing, this Annual Report for 2019/20 is timely, coming at a good time to reflect on the previous year and where we are as a District. 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'.

Following October's local elections and an extensive induction and priority-setting process for elected members, the Council set their key priorities for the term and confirmed that Vision 2030 remains our guiding direction and that work will be undertaken to align the Council's vision longer-term alongside Te Arawa's 2050 Vision. The priorities include the commitment to completing the key placemaking projects set in the Long-term Plan 2018-28 and establishing a new priority to create Homes and Thriving Communities.

In late 2019, we saw the reintroduction of the four wellbeings into the legislated purpose of local government; this requires us to take more of a leadership role to ensure the social, economic, cultural and environmental wellbeing of our communities. This has encouraged the Council to consider where we have come from, the drivers for change within our organisation and what we can, as a Council, contribute through how we work and why we do what we do.

Like the rest of the country, our District came up against one of the most significant challenges when COVID-19 forced our District into lockdown. Many other councils adopted an approach of retrenching, reducing services and laying off staff. Our Council were bold; and adopted an approach of demonstrating positive leadership and a commitment to "keeping to the kaupapa" set. This was developed through leadership, undertaking an extensive look at the organisation and focusing on providing services and meeting community expectations. We moved ahead with initiatives and innovation that will set solid foundations for our District well into the future, an example of this was the persistence to proceed with a proposal to mitigate the identified risks to wastewater services through a ten-year

Performance Specified Maintenance and Operations contract. The Council agreed to adopt this contract on 29 July 2020.

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

It has been amazing to witness the logistical and policy changes required to put our organisation into a fit state to support the Government's COVID-19 directives. The Council has made some significant decisions to provide leadership stability to our organisation and our community.

This period will have affected our community in different ways. Like the recently announced government packages around businesses, mortgages and those losing jobs; the Council is committed to providing targeted support for those people in and parts of our community most impacted by COVID-19. During the last few months of the 2019/2020 financial year, the Council has put together a recovery package and Annual Plan focused on building back better.

The Council has had two things to balance – keeping our people safe and ensuring we can keep operating, albeit in a measured and cautious way. Our business continuity plans have been essential to ensuring we can keep providing essential services and there has been work happening around our financial capacity. The big question has been how does our organisation act in a way that supports what the Government is trying to do and keeps our economy, local businesses and local people going.

I look forward to new challenges that await us in 2020/21 as the world starts to look a little different. Despite needing to change how we work, we will remain focused on working with our community and partners to ensure the Rotorua Vision is achieved.



Geoff Williams

Chief Executive

Manu Mātārae Elected Members

Our council



Rotorua Lakes Councillors

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



Rotorua Lakes Community Board

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



Rotorua Rural Community Board

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

Te Tatau o Te Arawa Te Arawa Partnership Board

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

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



Te Tatau o Te Arawa

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

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

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

Te Arawa and Council committed to the following goals:

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

Assist Te Tatau to:

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

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

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

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

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

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

Tirohanga Whakamua 2030

Vision 2030

Koinei tō tātau kāinga. Ko tātau ōna tāngata.

Nā tātau tonu i ora ai te ahurea

Māori me ōna āhuatanga katoa.

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

E kokiri nei tātau i te angitu,

i te hihiri me ngā rerekētanga maha.

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

Mō te katoa a Rotorua...Tatau tatau

This is our home, we are its people.

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

We're innovative and we share what we learn.

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

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

Rotorua is a place for everyone.

Tatau tatau - We together.

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

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

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

Vision 2030 and the Long-term plan

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

People
Culture
Place

Vision 2030 and community outcomes

Our community outcomes are our vision 2030 goals.



He hāpori pūmanawa | A resilient community

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



Kāinga noho, kāinga haumarū | Homes that match needs

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



Papa whakatipu | Outstanding places to play

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



Waahi pūmanawa | Vibrant city heart

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



Whakawhanake pākihi | Business innovation and prosperity

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



He huarahi hou | Employment choices

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



Tiakina to taiao | Enhanced environment

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

He aronga poto: Te whakahaere pūtea

At a glance: Financial performance

	Actual	Budget
Operating surplus (\$million)	4.8	20.12
Revenue*	136,883	148,427
Expenditure	132,026	128,301
Revenue – from rates*	96,918	97,372
Revenue – from all other sources	39,965	51,055
Capital expenditure (\$ million)	61.9	91.5
Net debt (\$ million)	196.7	240.3
Credit Rating	Aa- Fitch International	
Outlook	Stable	

* Actual rates revenue incorporates property rates and water rates expense on Council owned properties of circa \$2.1m. Budgeted revenues do not include these expenses. On a like for like basis, actual rates revenue is \$1.7m higher than budget.

The 2019/2020 financial year surplus of \$4.8m is a solid result in light of the unprecedented events that took place globally in the wake of COVID-19. Amid the world's largest pandemic and consequentially a nationally imposed restrictive lockdown, the Council continued to ensure critical and life-essential services were maintained and delivered with negligible, to nil, noticeable impacts on the community. COVID-19 whilst being one of the most critical challenges faced by the organisation- having a direct and clear impact to both our parking and event generated fees was not the only challenge that the Council faced.

Some challenges were new, such as:


- i) the requirement to fund siting of Wastewater stations,
- ii) uplift in operating costs for the new sewerage plant including an increase in legislated compliance and health & safety,
- iii) increased stringent water planning requirements; and,
- iv) loss of event-driven fees.

Whilst other issues have remained more persistent, such as:

- i) the need to fund additional inner-city security,
- ii) the legacy catch up for electricity costs,
- iii) the impact to depreciation costs as a result of the revaluation of our asset base; and,
- iv) drag of parking revenues.

However, these pressures were mitigated by i) higher rates revenue due to growth in the region and ii) cost-saving and other efficiencies implemented just before the lockdown period.

Liquidity is always a key focus and in 2019/2020, a net debt increase of \$41m was planned. However, actual performance for Cash and Borrowing ended \$43.6m lower than expectations and slightly down on the prior year position. This was driven by i) timing on key projects e.g. SHMPAC, Museum and the Lakefront and ii) Cash on hand being \$11.5m higher than expected and \$20m of Cash on term deposit as a result of subsidies received. Even though the net result is lower than budget, the Council still ensured a complimentary level, 68%, of CAPEX was completed. This included achieving almost 70% of the planned spend to improve services and ~66% of planned renewal works going ahead. With global supply chains impacted and lockdown restrictions being in place many works were affected either by delays in supply of components or by resources not able to be fully committed.



Te Whakahaere Pūtea Managing the money

Rotorua Lakes Council has spent over \$132 million this year to provide direct services to the community, internal services to support and run the Council and additional services that provide benefit to the community. Additionally, approximately \$62 million was spent on capital works to renew assets or create new facilities and amenities for our Rotorua of the future.

We manage \$1.4 billion worth of assets infrastructure including roads, bridges, halls, land, recreation and leisure facilities, drains, water and wastewater infrastructure and libraries and parks.

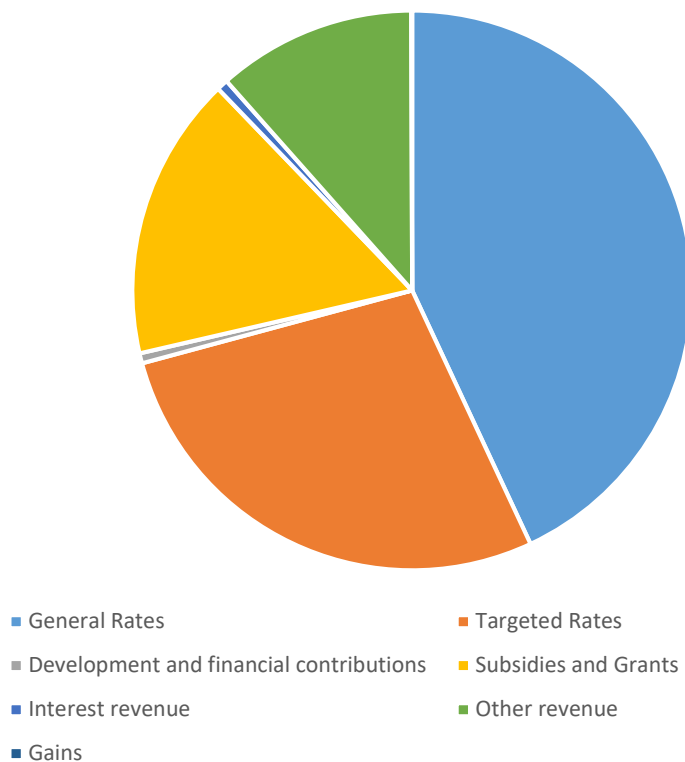
Money comes in from rates on property, government grants, user charges and fees, and sometimes from the Council's businesses.

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

Where did our money come from?

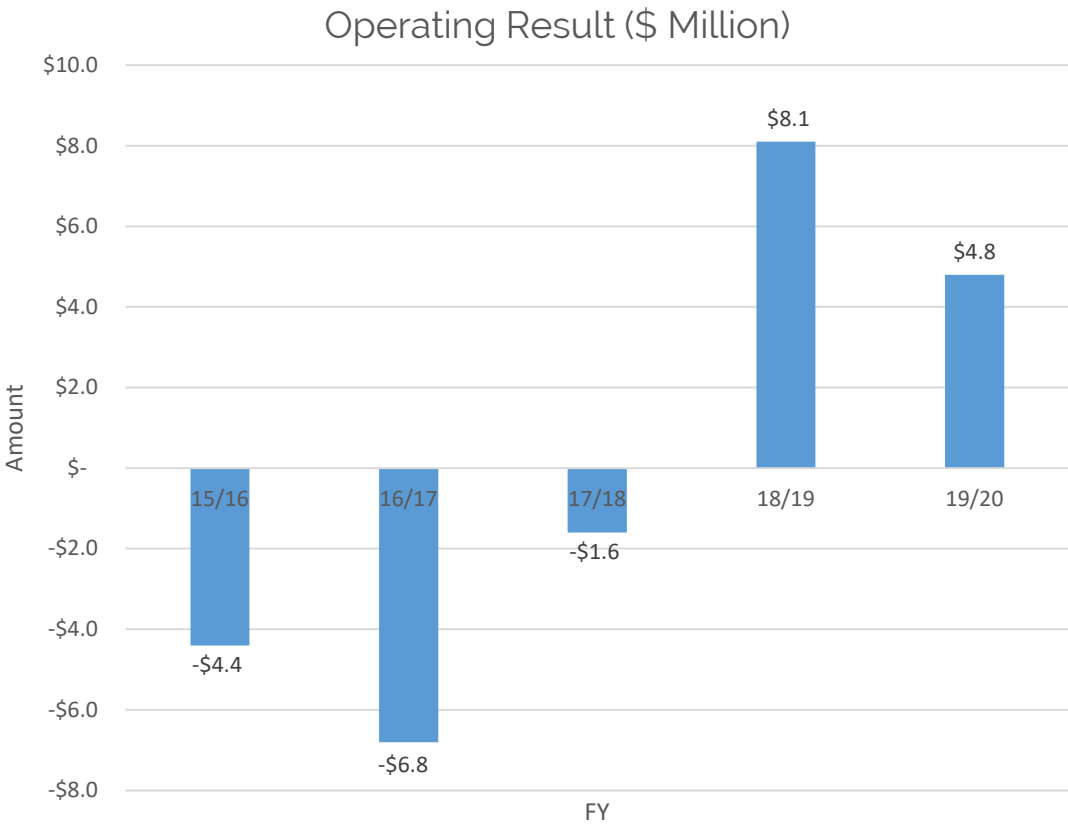
This year income from rates (from both general and targeted) contributed \$96.9 million or 71% of total operating revenues (2018/19 \$91.8 million; 66 %). In addition to this, income was generated from fees and charges \$5.29 million; 3.9%, (\$5.65 million: 4% 2018/19) and Central Government grants and subsidies. \$22.5 million; 16%, (\$29.2 million: 21% 2018/19).

2019/20 Total Revenue \$136.8 Million



How does our performance compare with previous years?

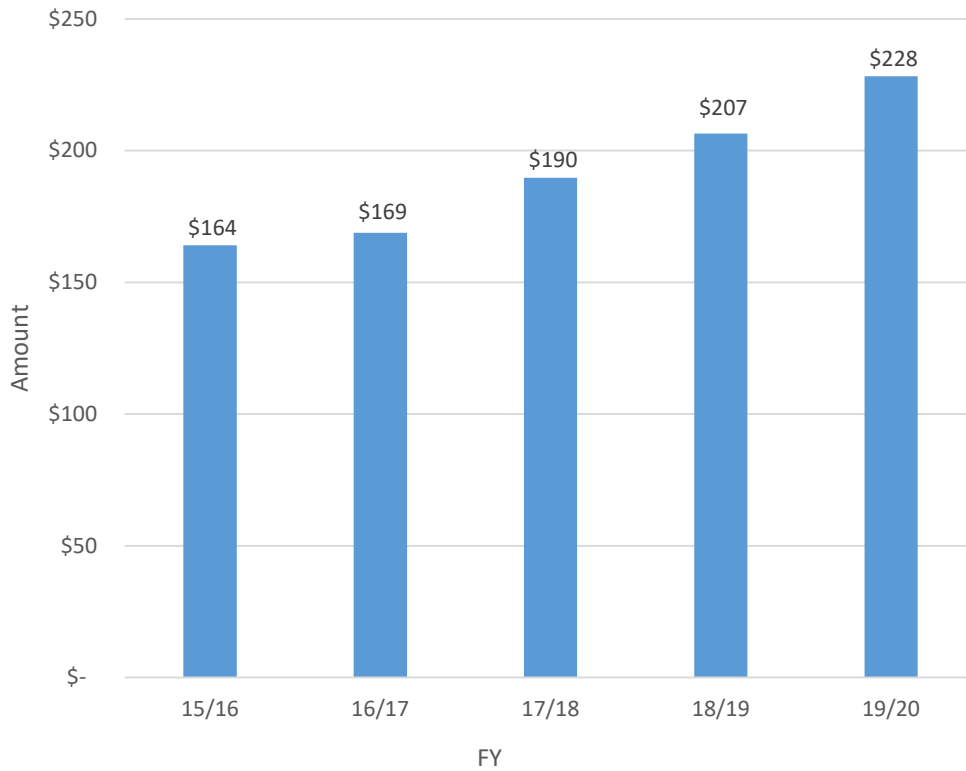
We have generated a net surplus of \$4.8 million in 2019/20. The surplus is the reported revenue (\$136.8 million) less reported expenses (\$132 million), which includes depreciation.



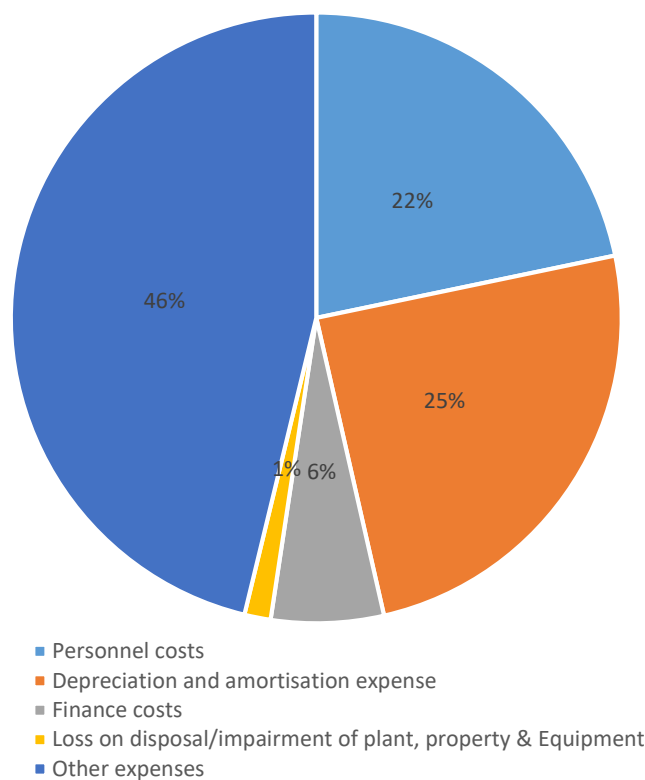
Council Debt

Debt increased by \$21.7 million from the previous year to \$228.2 million. The Council uses borrowing so that the costs of new facilities or infrastructure and any associated improvements are spread over the multiple generations that are expected to benefit rather than loading all the costs to one generation. For the 2019/20 year, the increase in debt was largely driven by the prudent decision to draw down short-term contingency borrowings. This drawdown was to mitigate the anticipated tightening in the credit markets because of COVID-19 and helped to drive the cash surplus reflected for the year.

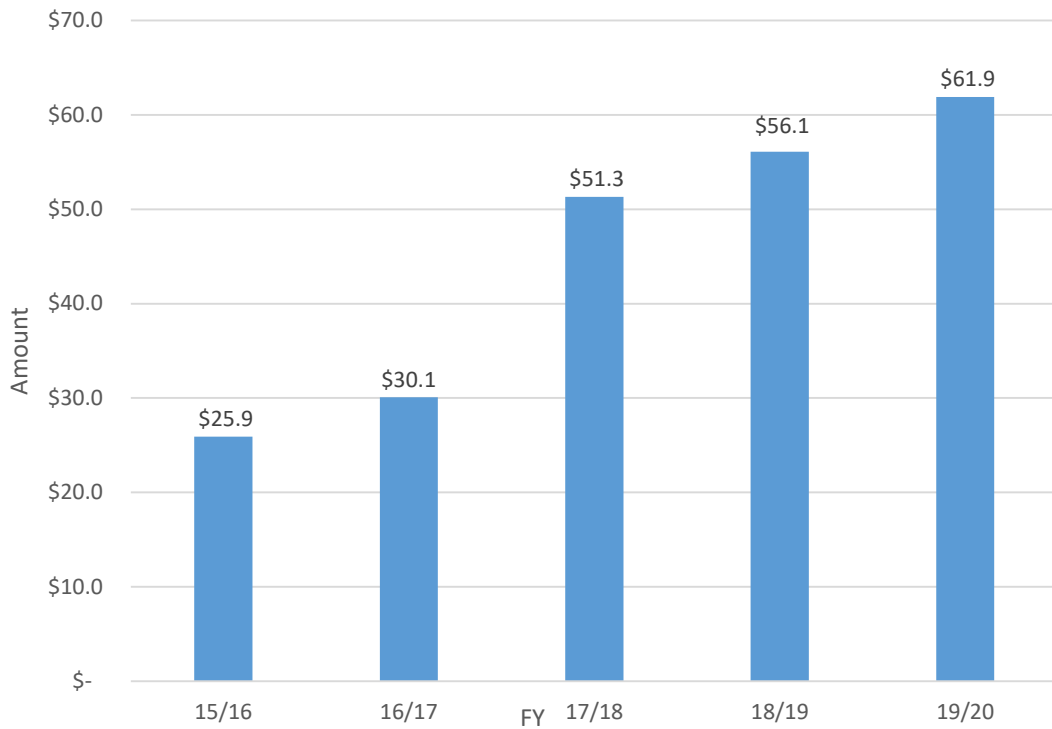
Council Debt (\$ Million)



2019/20 Total Expenses \$132 million



Capital Expenditure (\$ Million)



Overall we spent \$61.9 million on projects that either renewed our assets (\$20.5m) or increased their level of service (\$41.3m). This was \$29.6 million lower than our planned budget of \$91.5 million and was largely driven by a few key projects such as the Lakefront, Museum, Aquatic Centre and the Sir Howard Performing Arts Centre that were either impacted directly by the COVID-19 supply chain or lockdown issues or deferred as further investigation works and additional planning were carried out. Further commentary on these and other key projects have been identified in the Capital Pressures table on the following page.

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 do not necessarily fit into a financial year.

Project	\$ spend 19/20 '000	Comment – note over or under budget and why
Rotorua Museum	1,895	Under budget by \$6.9m as further investigative worked identified the requirement for additional geothermal testing and strengthening planning to be completed as well as the need to secure pledged external funding
Sir Howard Morrison Performing Arts Centre	1,702	Under budget by \$5.7m as continued testing indicated asbestos issues were far worse than had been previously indicated during tests. Further, the COVID-19 restrictions hampered further onsite testing and progress
Aquatic Centre	863	Under budget following the detection of non-compliant products in the insulation which forced a change of scope. Additionally, the 50m pool construction was also planned to start in the latter part of the year but was delayed due to COVID-19
Lake Front	8,496	Under budget by \$5.5m as lockdown restrictions impacted the ability of contractors to begin early construction phases
Whakarewarewa Forest	6,260	Under budget due to COVID-19 pausing works and delays on material supply chains
Sewage Renewal	2,852	Under budget by a few key items, which were impacted by COVID-19 supply chains e.g. blowers, dewatering plant, CCTV assessments and permeate water re-use
Stormwater	30	Under budget largely due to the delay in the start of Clayton Road works as a result of COVID-19

Te tūhono i te tirohanga ki te mahi

Connecting vision to action – “progress”

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

Follow council's progress on its key projects.



Te whakaora i ō tātau taonga

Reviving our facilities

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



Te Toitūtanga o te Taiao

Environmental sustainability

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



Te Whakawhanake i to tātau Rohe

Growing our district

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



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

Keeping the foot on the pedal of progress

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



Rotorua Museum Te Whare Taonga o Te Arawa

Rotorua Museum is part of Rotorua's history and is a place that tells the stories of Te Arawa and our district. Following the Kaikoura earthquake in November 2016 the Museum had to be closed. Extensive investigations were undertaken to fully understand the condition of the building, which was constructed in 1908, and nearby ground conditions, the building was deemed earthquake prone

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

In August 2019 funding of \$20 million from the Provincial Growth Fund and Ministry of Culture and Heritage was formally announced, which is in addition to significant funding already secured from the Rotorua Energy Charitable Trust (\$10m) and Lotteries Grant (\$6m). An additional Provincial Growth Fund (PGF) boost, announced by Deputy Prime Minister Winston Peters and Under-Secretary for Regional Economic Development Fletcher Tabuteau on 27 June 2020 allocating an extra \$2 million to replace the museum roof.

Hawkins Construction were appointed in December 2019 for the pre-construction services looking at buildability and construction phasing and methodology.

The detailed design (and accompanying building consents) for the Rotorua Museum project, will be

done in seven stages. As each package of detailed design is completed, an application for Building Consent will be lodged, and an accurate estimate of total costs for that package of work can be determined. Stage 1 building consent has been issued.

In readiness for the construction phase to commence, all artworks, objects and taonga (treasures) that were on display, were removed and are now being cared for in a secure, environmentally controlled facilities.

COVID-19 lockdown caused delays on the delivery of pre-construction services.

There was an 8 week delay in the removing of the last heritage items from the basement due to conservators having to self-isolate pre-lockdown and not being able to travel in Alert level 3 as conservators are considered a non-essential service. Once they were able to travel the final heritage items like the mud bath basement elements and related equipment were removed to enable access for testing of foundation construction methodology.

During lockdown detailed design for stage 2 and stage 2a (lift to mezzanine and basement levels) were completed remotely utilising zoom meetings and online 3D models of the Museum. Work plans were created to enable Hawkins to work during Alert Levels 3 to 1.

Construction is planned to get underway towards the end of 2020. Once started, construction is expected to take around 24 months



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 is working on a phased approach to the redevelopment of the Centre and a conceptual masterplan has been developed. The initial focus will see the Council undertaking the necessary first step is to bring the facility and service up to the level our community expects and provide the best platform for long-term use of the Centre, including:

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

Over the past 12 months extensive investigations have been completed on the building and ground providing 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.

The detailed design for the 50m pool refurbishment was completed and the materials required have

been sourced. Council approved the tender for the renovations and the contract has been awarded, which will see the 50m pool been deepened, lengthened, and a 'bulkhead' installed to allow the pool to be changed between one 50m pool, or two 25m pools. Additional features will also include a new filtration system, a PoolPod accessibility lift and a new decking pool surround.

COVID-19 Alert Levels earlier in the year impacted the timing for this project. Initially, the construction was planned to coincide with the winter months when pool use is lower. Works commenced in September 2020 with the pool being closed to the public and the work is likely to extend into early summer.

Design work is underway for the roof and main pool hall, however COVID-19 and the restrictions with alert levels, the centre was closed and this has delayed the design components of the project.



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.

In preparation for the main construction phase to start, a range of deconstruction works are now complete. This involved removing some walls and wall linings, lifting floors, removing seats in the main Civic Theatre auditorium, and generally getting the building ready for construction to begin. In addition to readying the building for construction, work was undertaken to incorporate cultural stories into the design which are fully supported by Ngāti Whakāue.

During Covid 19 Alert Level 4, design work was able to continue, but all on-site work preparing the building for construction was suspended. This resulted in overall project delays of around six weeks.

Significant progress has continued to be made with the detailed design phase now complete, amended resource consent approved, and the building consent application has been granted. Construction is ready to start pending Council approval at end of September 2020.

The finalised design includes an extended Civic Theatre seating up to 1,000 people, a flexible black box theatre seating up to 300 people, a stunning new exterior and entrance foyer, a new café and bar area, and multi-purpose studios for workshops, rehearsals and recording. Acoustics, air conditioning systems and theatre services will all be upgraded, the number of toilets will be increased and accessibility enhanced.

Provided there are no further unexpected delays, the project is on track for completion towards the end of 2021.



*Sir Howard Morrison Performing Arts Centre
– artist impression of exterior, courtesy Shand Shelton*



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.

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

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

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

As a result of the agreement, the council is seeking approval from the Environment Court to withdraw current consent applications before the Court, relating to the proposed upgrade of Rotorua city's wastewater treatment plant, and proposed discharge of wai tātari to Te Rotoruanui-a-Kahumatamomoe (Lake Rotorua) via a culturally-designed land contact bed. At the end of August 2020, the parties submitted a joint memorandum to the Environment Court outlining what has been agreed and are awaiting a response from the court.

The parties acknowledge this is a difficult challenge. A lot of work has already been undertaken and there is still a lot of work ahead to investigate opportunities to get the best long-term outcome for the Rotorua community.

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

The kawenata (agreement) upholds the interests and mana of all parties, and acknowledges Te Whakapapa o Te Wai (the guiding Te Arawa Values) of Wai, Waiariki, Waiora, Wairua and Waiata, recognising the importance of water, health, spirit and rhythm.



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 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.

The waste water treatment plant that will service both the Rotoma and Rotoiti communities is constructed and operational treating wastewater to the required standard. 22km and 15km of the main trunk reticulation is constructed and operating. 208 (of 212) Rotoma properties have the STEP pre-treatments systems installed and are operating by connection to the reticulation network.

The COVID-19 pandemic caused a 3-4 month delay in the procurement process for the identification of the on-site pre-treatment systems for Rotoiti. However the procurement process was reactivated and it is now expected to be completed by the end of 2020.

The remaining work for the project's completion (about 25%) is the installation of pre-treatment systems at Rotoiti (currently subject to open tender) and connection of Rotoiti homes to the main trunk line (this will require significant engagement in the last half of 2020 to secure approvals from Māori land owners).



Lakefront redevelopment

A bold vision for the lakefront has been created to enhance this important recreational area for the benefit of locals and visitors. The design 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 contract for the first stage of the development was award to HEB Construction Ltd (October 2019). This first stage of works involves the construction of a new boardwalk along the lake edge and terracing along the lake edge which will provide space by the water to sit and relax. A large component of the foundation work

has been completed and the lake walls are made.

Council awarded the first contract for stage 2 of the lakefront development to Waiotahi Contractors (December 2019). This contract is to complete the enabling works for the new playground and new toilet block which is part of Stage 2 of the phased development. The work involves the realigning wastewater pipes, installing new water reticulation and stormwater lines, and preparation of the ground for construction of the new destination playground which is definitely a key feature of the development and what much of the community is waiting in anticipation for. Waiotahi Contractors are nearing completion of the enabling works and the pre-load to stabilise the ground will remain in place to early March 2021.

Late March 2019, following the nation-wide closures during COVID-19 Alert Levels 4 and 3, all works at the lakefront halted. Whilst it was a challenging couple of months, at Alert Level 2, work on the lakefront development rapidly resumed. Fortunately, the ongoing delivery of our existing projects aligned with the Build Back Better Rotorua economic recovery strategy; to support recovery of our district and economy and the community's confidence.

In line with this strategy, local company, Campbell Infrastructure has been awarded contracts for Stages 2, 3, and 4 of the lakefront development. Campbell Infrastructure has initially started working on Stage 2 of the development which involves refurbishing the existing Volcanic Playground. This work has been brought forward to mitigate the impact of the COVID-19 response and to reduce delays to the overall project. Council has agreed to complete this throughout the winter.



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.

The Long Mile Road, safety and roading improvements at the entrance have been completed and there is now access for coach, equestrian and public parking. Alongside this a shared path has been constructed and lighting installed. On 27 June, Government announced additional funding of \$90,000 towards the new forest visitor centre. The Expression of Interest for the visitor centre design and build process has been initiated.

The Tarawera Road forest hub 2 access point and car park is nearing completion (90%) and is at the final stage with the toilet block construction underway. The Forest Loop construction is also underway with three significant new sectors contracted and the existing trails have been widened and improved.

Late March 2019, following the nation-wide closures during COVID-19 Alert Levels 4 and 3, all works at the forest halted. Whilst it was a challenging couple of months, at Alert Level 2, work on the forest development rapidly resumed.

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. For this financial year 59 KPIs have been reported on.

Differing circumstances support the 3 KPI not measured, as detailed in this section. 53% are achieved and 42% are not achieved with 5% not measured. In comparison with the 2018-2019, 71% KPI were achieved, 24% not achieved and 5% not measured.

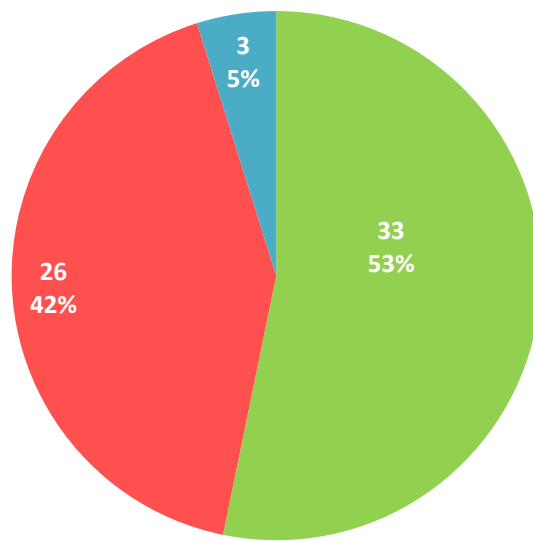
The world around us has changed and so has our district. The COVID-19 global pandemic has hit hard and this is evidenced resulting in a higher number of KPI not been achieved. The disruption of COVID-19 with the lockdown and various alert levels has not affected all activity areas equally. Some activity areas are deemed essential and the disruption was minimal. Whereas in other areas, Q3 results indicated many measures were tracking well to be achieved, then with the Alert Level 4 lockdown period business operations interruption and operations then restricted at the various lower alert levels, these measures were not achieved. Despite the negative impact on some measures, COVID-19 pandemic has not adversely affected the ability to provide the reporting.

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

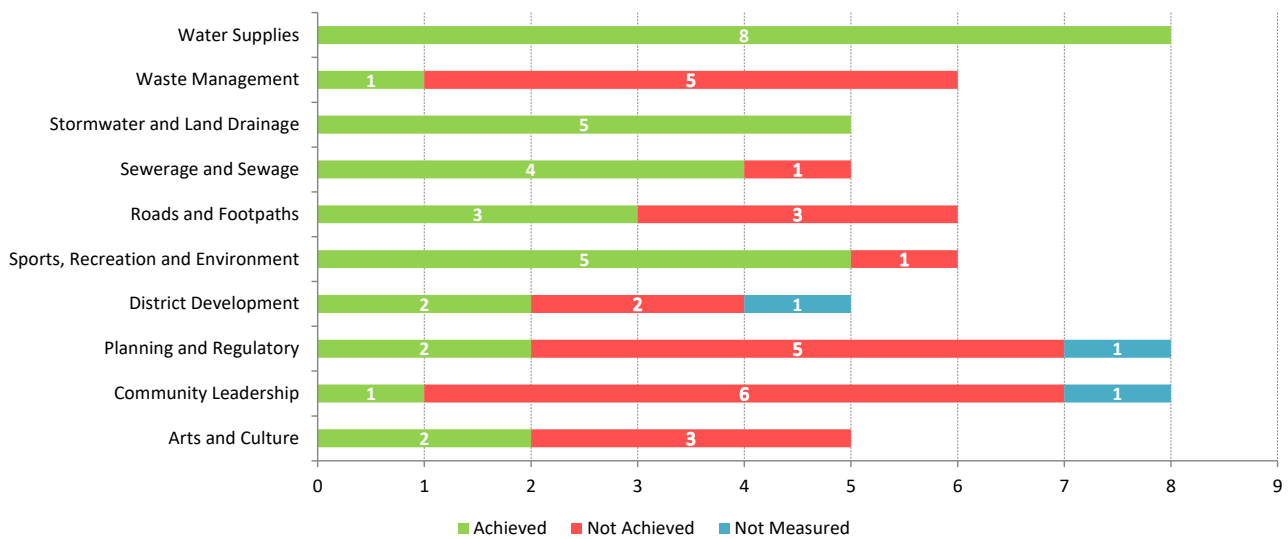


Performance Targets Summary

■ Achieved
 ■ Not Achieved
 ■ Not Measured

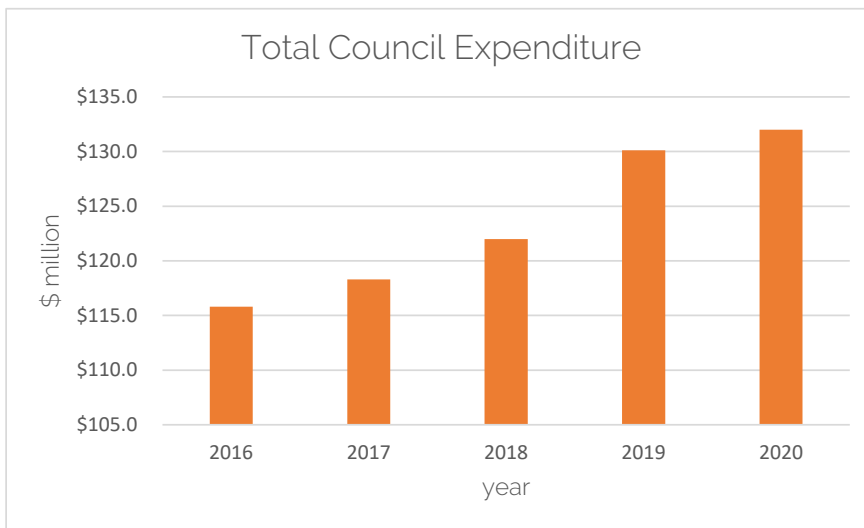


Key Performance Targets by Activity Group

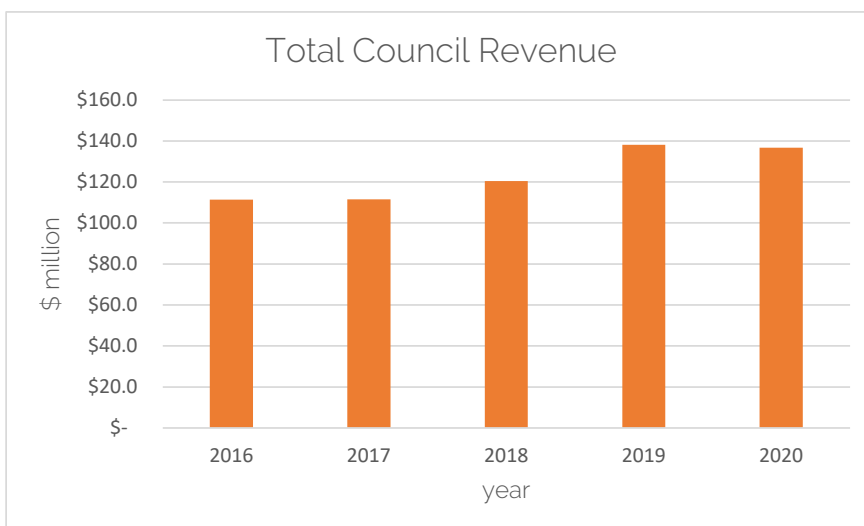


Te whakahaere pūtea

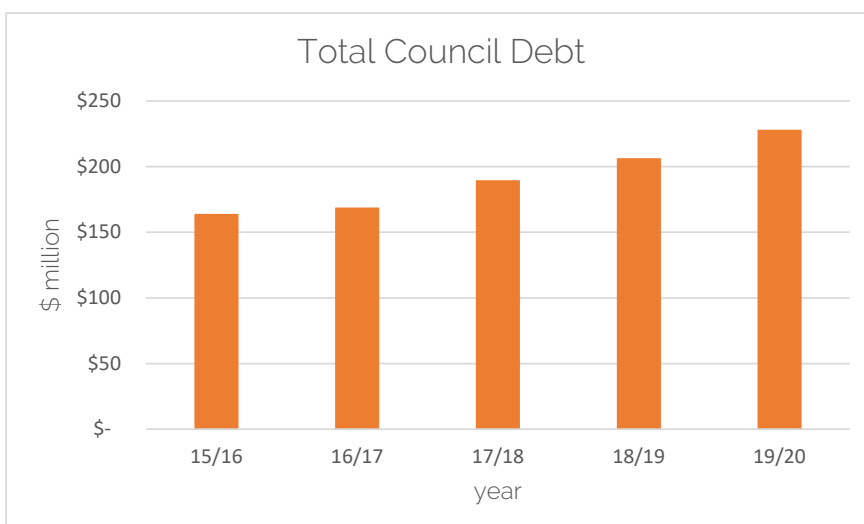
Financial performance



Total expenditure increased as a result of an uplift for electricity, increased inner city security, higher compliance standards and depreciation following the revaluation of Sewage, Stormwater and Building assets

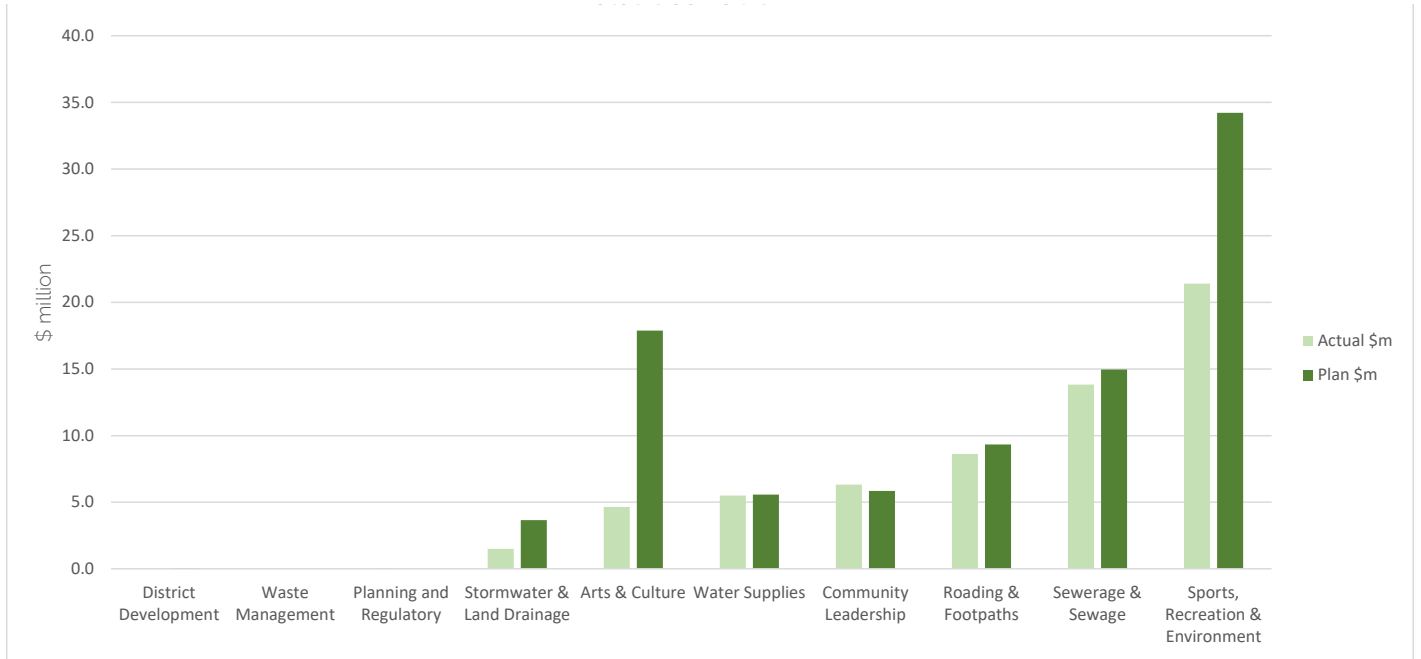


Total income decreased slightly from prior year due to the impact of COVID-19 on event and parking revenues as a result of border closure and level 4 lockdown restrictions



The increase in debt was largely due to the prudent decision to drawdown short term contingency borrowings as a result of COVID-19 where Council acted to stay ahead of capital market liquidity pressure in early April 2020

Capital Expenditure 2019-20 Actual vs Plan \$million



Key variances:

Sports, Recreation & Environment

Driven largely by the impact of COVID-19 on global supply chains and level 4 lock down which delayed key projects, namely the start of construction on the Lakefront revitalisation and delays to Whakarewarewa Forest

Arts & Culture

Largely driven by deferred spend on the Museum due to additional geothermal testing requirements whilst work on the Sir Howard Morrison Performing Arts Centre was delayed due to the need for additional extensive asbestos testing

Notes to the financial statements

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) and Kauae Cemetery Trust Board by special relationship. 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 2020. The financial statements were authorised for issue by Council on 26 November 2020.

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 day month year.

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

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 2020

Council			Group	
Actual	Budget	Actual	Actual	Actual
2020	2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000	\$'000

Revenue

Rates*	96,918	97,372	91,818	96,826	91,722
Development and financial contributions	796	-	574	796	574
Subsidies and grants	22,477	33,950	29,202	22,477	29,202
Interest revenue	889	134	858	346	346
Other revenue	15,729	16,971	15,184	22,015	21,647
Gains	74	-	510	74	510
Total revenue	136,883	148,427	138,146	142,534	144,001

Expenses

Personnel Costs	28,683	26,458	26,594	42,004	39,330
Depreciation and amortisation expense	32,624	30,279	30,503	35,580	33,300
Finance costs	7,866	9,948	8,300	7,934	8,300
Loss on disposal/impairment of plant, property and equipment	1,836	-	2,825	1,841	2,847
Other expenses	61,018	61,616	61,837	50,753	52,605
Total expenses	132,027	128,301	130,059	138,112	136,382
Surplus/(deficit) before tax	4,856	20,126	8,087	4,422	7,619
Income tax expense	-	-	-	(104)	(63)
Surplus/(deficit) after tax	4,856	20,126	8,087	4,526	7,682

OTHER COMPREHENSIVE REVENUE AND EXPENSE

Items that could be reclassified to surplus/(deficit)

Net change in fair value of hedges	-	-	89	-	89
Net change in fair value of investment	(657)	-	2,179	-	(1)

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

Revaluation on property, plant and equipment	56,666	19,071	3,992	56,339	6,578
Revaluation on intangibles	35	-	73	35	73
Total other comprehensive revenue and expense	56,044	19,071	6,333	56,374	6,739
Total comprehensive revenue and expense	60,900	39,197	14,420	60,900	14,421

* Actual rates revenue incorporates property rates and water rates expense on Council owned properties of circa \$2.1m. Budgeted revenues do not include these expenses. On a like for like basis, actual rates revenue is \$1.7m higher than budget.

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

Statement of Changes in Equity

For the year ended 30 June 2020

	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2020	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	1,067,757	1,105,476	1,053,335	1,067,757	1,053,335
Surplus / (deficit) after tax	4,856	20,126	8,087	4,526	7,682
Other comprehensive revenue and expense	56,044	19,071	6,333	56,374	6,740
Balance as at 30 June	1,128,657	1,144,673	1,067,757	1,128,657	1,067,757

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

Statement of Financial Position

As at 30 June 2020

Council			Group	
Actual	Budget	Actual	Actual	Actual
2020	2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000	\$'000

ASSETS

Current assets

Cash and cash equivalents	31,496	114	6,727	33,758	8,725
Debtors and other receivables	12,841	30,496	18,797	11,843	17,424
Inventories	81	-	87	859	923
Current tax receivables	58	-	-	90	-
Non-current assets held for sale	831	437	200	831	200
Total current assets	45,307	31,047	25,811	47,381	27,273

Non-current assets

Other financial assets:					
-Investment in CCO's and other similar entities	51,819	52,961	52,331	62	85
-Investment in other entities	3,412	-	3,364	3,412	3,364
Property, plant and equipment	1,222,708	1,307,452	1,210,476	1,295,154	1,278,052
Work in progress	72,572	-	-	72,572	-
Intangible assets	3,068	7,115	3,699	3,509	4,244
Loans and receivables	17,331	14,400	14,548	122	148
Total non-current assets	1,370,910	1,381,928	1,284,419	1,374,831	1,285,892
Total assets	1,416,217	1,412,975	1,310,230	1,422,212	1,313,165

LIABILITIES

Current liabilities

Payables and deferred revenue	52,620	22,488	29,504	52,574	29,867
Derivative financial instruments	-	-	-	-	-
Borrowings and other financial liabilities	44,362	15,089	17,810	44,362	18,211
Provisions	18	99	68	74	87
Employee entitlements	4,415	3,091	3,019	5,751	4,175
Total current liabilities	101,415	40,767	50,401	102,761	52,340

Non-current liabilities

Borrowings and other financial liabilities	183,866	225,175	188,700	187,622	188,700
Employee entitlements	72	111	91	72	91
Provisions	2,207	2,249	3,283	2,207	3,283
Deferred tax liabilities	-	-	-	892	997
Total non-current liabilities	186,145	227,535	192,074	190,793	193,071
Total liabilities	287,560	268,302	242,475	293,554	245,411
Net assets	1,128,657	1,144,673	1,067,757	1,128,657	1,067,757

EQUITY

Accumulated funds	731,673	797,352	727,112	732,799	727,112
Reserves	396,983	347,321	340,645	395,858	340,645
Total equity attributable to the Entity	1,128,657	1,144,673	1,067,757	1,128,657	1,067,757
Total equity	1,128,657	1,144,673	1,067,757	1,128,657	1,067,757

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

Statement of Cash Flows

For the year ended 30 June 2020

Council			Group	
Actual	Budget	Actual	Actual	Actual
2020	2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000	\$'000

Cash flows from operating activities

Receipts from rates revenue	94,993	96,715	90,189	94,900	89,954
Interest received	889	134	858	346	346
Dividends received	205	-	2	205	2
Receipts from other revenue	64,794	50,921	45,294	72,588	48,161
Payments to suppliers	(62,204)	(60,243)	(56,743)	(52,130)	(43,765)
Payments to employees	(27,305)	(26,458)	(26,614)	(40,447)	(39,339)
Interest paid	(8,003)	(9,948)	(8,427)	(8,071)	(8,427)
Income tax paid	(58)	-	-	(91)	-
Goods and Services Tax (net)	2,444	-	230	2,676	140
Net cash flow from operating activities (note 26)	65,755	51,121	44,789	69,977	47,072

Cash flows from investing activities

Receipts from sale of property, plant, and equipment	58	4,000	2,269	506	2,351
Receipts from sale of intangible assets	81	-	-	81	-
Loan advances repaid	58	-	603	-	-
Receipts from sale or maturity of investments	-	-	-	-	-
Purchase of property, plant and equipment	(59,468)	(91,524)	(55,402)	(67,349)	(61,248)
Purchase of intangible assets	(3,093)	-	(1,403)	(3,220)	(1,664)
Payments to Suppliers Capital expenditure	-	-	-	-	-
Loan advances made	-	-	(850)	27	-
Purchase of financial assets	(123)	-	(569)	(90)	-
Net cash flow from investing activities	(62,486)	(87,524)	(55,352)	(70,044)	(60,561)

Cash flows from financing activities

Proceeds from borrowings	68,000	36,231	68,620	72,574	69,023
Repayment of borrowings	(46,500)	-	(51,770)	(47,474)	(51,770)
Net cash flow from financing activities	21,500	36,231	16,850	25,100	17,253

Net increase / (decrease) in cash and cash equivalents	24,769	(172)	6,287	25,033	3,764
Cash and cash equivalents at the beginning of the year	6,727	286	440	8,725	4,961
Cash and cash equivalents at the end of the year	31,496	114	6,727	33,758	8,725

* This includes amounts received and paid on behalf of and from BOPRC, NZTA and petrol tax. The accompanying notes form part of these financial statements.

Additional explanation of major variances against budget

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

Statement of Comprehensive Revenue and Expense

The major reasons for the variance between actual and budgeted result of \$14.8 million are discussed below.

Revenue

Overall revenue was lower than budget by \$11.5 million driven by the following:

- Subsidies and grants - \$11.5m down on budget with the bulk of this driven by receipt of planned funding for key projects such as Museum, Lakefront and the Forest which were deferred for a number of reasons including COVID-19 impact to supply chains;
- Other Revenue was \$1.2m lower than budget largely due to the impact of COVID-19 resulting in the closure of the EEC which reduced planned event revenues. In addition, the level 4 lock down period placed further strain on parking revenues;
- Development and Financial Contributions up \$0.8m due to over 70 resource consent applications received with the single driving contribution being for the resource consent application for Redwood Park

Expenditure

Overall expenditure was higher than budget by \$3.7 million due to the following

- Loss on disposal/impairment of plant, property and equipment – Was unbudgeted for and resulted in a \$1.8m unfavourable variance.
- Depreciation Expense – Was unfavourable by \$2.3m primarily due to the effect of the 2019 and 2020 building revaluation and the commissioning of the Rotoiti/Rotoma plant. Depreciation budgets are set prior to revaluation data being available.
- Personnel cost are \$2.2m higher than budget due an increase in hires for supporting the delivery of digital platforms, compliance/regulatory requirements and market rate increases in order to retain best talent.
- Finance Costs were \$2.1m below budget mainly due to the historically low OCR and subsequent borrowing rates now available on the market and due to less borrowings required due to deferred capital works.
- Other Expenses were \$0.6m lower than budget with no individual significant driver.
- Other comprehensive revenue and expenses was \$37m favourable against budget primarily due to the revaluation of council infrastructural assets.g Buildings, Storm Water and Waste Water. This is a non-cash movement reflecting the increased value of designated infrastructural assets.

Statement of Financial Position

Overall Net assets of \$1.129 billion are comparable to the budgeted amount of \$1.145 billion. Significant variances are as follows:

Current Assets

Cash and cash equivalents were \$31.4m higher than budget due to timing of subsidies received as government agencies provided agreed subsidies earlier to ensure cashflow was available during the COVID-19 lockdown crisis.

Non-current assets

Property, plant and equipment (including work in progress) was \$12.2m lower than budget due to a combination of asset disposals and impairments and the deferment of a number of key capital works.

Investments in other entities are higher than budget by \$3.4m due to holdings of Local Government Funding Authority borrower notes.

Current Liabilities

Payables and deferred revenue are higher than budget by \$30.1m 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 \$12.3 million lower than budget due to the deferment of a number of key capital projects partially offset by the prudent decision to use short term borrowings as a contingency during the COVID-19 lockdown.

Non-current liabilities

Non-current borrowings lower than budget due to more debt being held short term (see contingency borrowings referred to above).

Legal proceedings

The Council is currently facing four legal claims (2019: three). An estimate of Council's share of exposure is \$1,080,000 (2019: \$883,213), 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.

Unquantified claims

A provision of \$18,000 (2019: \$68,000) has been recognised for weathertightness claims. Included in this amount is an estimate of \$Nil (2019:\$Nil) being the Council's exposure to potential future claims which have not yet been advised until the statutory limitation period expires. Claims must be made within 10 years of the construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and distributed by CHH. The MOE's original claim against CHH was for 833, 16 of which are located within the Rotorua District. The High Court has confirmed that the CHH claim was resolved on 3 September 2020 with no liability to Council.

The Notice of Discontinuance issued by the High Court on 3 September 2020 has removed the uncertainty which Council was subject to at year end.

Adoption of PBE IPSAS 34 - PBE IPSAS 38

Council and Group have adopted the new group standards, PBE IPSAS 34 to 38, in preparing these financial statements. Council and Group have adopted these standards by not restating the comparative year information in accordance with the transitional provisions (with the exception of retrospectively adjusting the comparative year group balances and opening net assets/equity for Kauae Cemetery which was deemed not material).

The accounting policies and notes to the financial statements in the full Annual Report have been updated to comply with PBE IPSAS 34 to 38.

COVID-19 considerations

Impact on Council during alert levels

The financial performance of Council was not impacted materially by COVID-19 during the alert levels due to its main income streams being driven by rates as opposed to fees and charges. During April lockdown Council reviewed the outstanding May rates balance and considered the potential impact to rates given the business sectors impacted, namely tourism, accommodation and hospitality. Based on that analysis there was an anticipation that up to \$10,000,000 of rates revenue could be at risk. However, even though Council provided a rates deferral scheme the uptake of this was negligible; potentially due to the current (at this time) ongoing central government wage subsidy.

The Energy Events Centre income however, has been impacted severely since late March with close to \$500,000 of budgeted revenue no longer expected. Parking revenue has also seen a decline since April. Given the nature of Council businesses, expenditure has remained relatively unchanged as services continued to be provided and the ability of staff and external consultants to work from home during all levels. As an example the Civic Building remained in use during all levels which kept many operational costs i.e. electricity at close to normal if not higher levels (e.g. increased levels of cleaning).

Non-financial performance

The 2019/2020 non-financial performance measure results evidence the significant impact of the global pandemic organisation-wide and recognises that people and business areas are still hurting and are going to need ongoing support.

The disruption of COVID-19 with the lockdown and various alert levels has not affected all activity areas equally. Some activity areas are deemed essential and the disruption was minimal i.e. the sealing of the local road network (roads and footpath), operations continued throughout all alert levels. Other activity areas whilst deemed essential still suffered an impact to normal business operations i.e. recycled material recovered (waste management). The measure was achieved, however the COVID-19 impact resulted in a loss of 500700 tonnes recycling. Activity areas that suffered a greater impact were those such as Arts and Culture with business operations focused towards events, venues, markets and festivals. The impact of COVID-19 was significant due to event and venue closures and the capacity restrictions at various alert levels. Despite the negative impact on some measures, COVID-19 pandemic has not adversely affected the ability to provide the reporting.

Council activated the Emergency Operations Centre (EOC) during Alert Level-4 in response to the COVID-19 pandemic. The EOC is part of Council's Civil Defence Emergency Management function. We take direction from the National Emergency Management Agency (NEMA), work regionally with Emergency Management Bay of Plenty (EMBoP), and locally with other EOCs, such as Lakes District Health Board's (DHB's) EOC. The Ministry of Health and local DHB's led the health response to the COVID-19 pandemic and the Rotorua Lakes Council (RLC) worked to support the community in non-health related ways such as checking on our vulnerable populations; making sure everyone had enough food and access to hygiene products; ensuring people had somewhere to stay and had access to important information about the COVID-19 response and that they understood it. The RLC's EOC is made up of almost 50 staff members. These are Council staff members who have regular, non-emergency, day jobs at Council but have also been trained in Civil Defence and are ready to be called upon and redeployed in situations like what we have experienced with COVID-19.

Key assumptions for the future

Council's main revenue stream is its rates revenue. Whilst not expected, it is also not impossible that rates revenue through 2020/2021 year could be impacted as well as a continued drag on parking and or other user pays fees as Rotorua attempts to build back better. Any material revenue reductions will be covered by debt. As at 30 June 2020, ~\$4,000,000 of debt was anticipated to cover fees and charges shortfall over 2020/2021 however, there is obvious risk that this number could be substantially higher should unemployment and/or economic migration that could cause rates revenues to fall. Any decrease is not expected to be for the long term. The planning of our capital programme has also been adjusted to reflect the uncertainties of COVID-19 with a number of capital works deferred to ensure funding headroom is retained allowing Council to be flexible in responding to events as they unfold in the coming months. The deferment of these capital works is also subject to receipt of CIP funding, whereby if Council should receive the CIP funds some of these programmes might be able to continue at an earlier time.

Capital commitments

Council		Group	
Actual	Actual	Actual	Actual
2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000

Buildings	2,689	264	2,816	264
Parks and reserves	16,770	1,887	16,647	1,887
Roading	13,446	16,936	13,346	16,936
Stormwater	3,351	2,753	3,351	2,753
Wastewater - other	2,714	10,010	2,714	10,010
Wastewater treatment	470	2,110	470	2,110
Water - other	359	521	36	521
Water treatment	-	513	-	513
Intangibles	127	28	127	28
Plant and equipment	252	-	252	2,048
Vehicles	-	-	-	-
Total capital commitments	40,178	35,022	39,759	37,070

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

Contingent liabilities

Council		Group	
Actual	Actual	Actual	Actual
2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000

Financial guarantees

Financial guarantees to community and sporting groups	39	49	39	49
---	----	----	----	----

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	1,080	883	1,080	883
--	-------	-----	-------	-----

Total contingent liabilities	2,651	2,464	2,651	2,464
-------------------------------------	--------------	--------------	--------------	--------------

Events after balance date

MBIE Loan

Council repaid a \$1.5m loan to MBIE on 31 August 2020 which it received in error on 25 June 2020.

Terax Joint Ventures

Terax Partnership LLP and Terax (2013) Limited are both in liquidation and have been written off post balance date.

Weathertightness Claims

A Notice of Discontinuance issued by the High Court on 3 September 2020 has removed the uncertainty existing at year end as to the possible liability of Council for weathertightness claims with Carter Holt Harvey. This has resulted in the reduction to the provision of \$50,000.

Auditors Report

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 2020

The summary of the annual report was derived from the annual report of the Rotorua Lakes Council and group's (the District Council) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 31 to 45.

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 26 November 2020. That report also

includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the Council as set out in full Annual Report in note 1.28 to the financial statements and page 38 to 75 of the statement of service provision. An extract of this information is included in the summary of the annual report on page 42.

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 2020



ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua