

TATAU

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ANNUAL REPORT 2016

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section

01

# Governance and Engagement

**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua









# Mayor's welcome

## E nga iwi puta noa i to tatau rohe o Rotorua



### E nga iwi puta noa i to tatau rohe o Rotorua

Tena koutou katoa

Collaboration and effectiveness have been the hallmark of Rotorua Lakes Council's work and progress during the 2015/16 year, continuing the momentum which was gained the previous year.

The end of this three-year local government term finds this Council – and the Rotorua district – in a very strong position and able to continue to progress towards the community's long-term goals set out in the Rotorua 2030 vision.

There has been a lot of change during the past three years and it has taken courage and commitment on the part of both the council and the community to embrace our new direction with a view to creating a better future for our district.

Improving Council's financial position has been a major achievement and should give the community great confidence. Council has reversed the previous patterns which saw debt levels increasing – debt has reduced, spending has been within budget and there is cash on hand.

This turnaround has been thanks to the ongoing implementation of a sustainable financial framework and strategies which have re-set rates to realistic levels, reduced spending and operating costs and improved financial reporting. It has been a major turnaround.

Work has continued to advance within the portfolios which were established as platforms to deliver on our Council's commitment to work in collaboration with our communities to achieve shared goals, to meet needs and enable progress.

This collaboration means we are working with communities on a daily basis and there are ongoing conversations which enable any issues to be dealt with as they arise.

We now have in place strategies which have been developed in consultation with the community and which will provide ongoing direction to help us achieve Rotorua's long-term aspirations.

Meanwhile, the new Te Arawa partnership is in place with Te Tatau o Te Arawa board members contributing around the committee table and the benefits of the partnership also felt more widely through the opening up of new opportunities.

This has been recognised as being a leading model in New Zealand by the local government sector.

Economically, Rotorua has continued to show great progress with above-the-national-average GDP growth during the 2015/16 year and all economic indicators trending upwards.

I thank our councillors for their commitment, cooperation and contributions towards the betterment of the Rotorua district and commend the work of council management and staff who have continued to work hard to deliver the programme of change they were asked to deliver and who do so with professionalism and commitment to the district's 2030 vision.

I also extend my sincere appreciation to the residents of Rotorua and the communities and groups which have engaged with Council during the past year.

This type of genuine collaboration will help to support Council as it continues its work to move the Rotorua district forward and maximise the opportunities which present themselves in a growing local economy that continues to perform strongly.

There is no doubt the organisation faces some challenges in the coming Council term, including the challenge of ensuring the district has the infrastructure, services and capacity to take advantage of a strong economy which is expected to continue growing.

There will be financial challenges for Council as proposed wastewater projects progress with strategies required to assess and deal with those. And there will be a need to refine the long-term direction which was set three years ago to identify key areas of focus to progress during the next Council term.

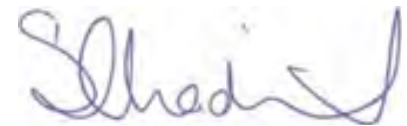
I am very confident that this Council has finished the current term well placed to frontfoot these challenges and continue Rotorua's progress.

Ma te mahi tahi, ma te noho tahi, ma teheare tahi

Ka tutuki nga whakakitenga, ka puawai nga moemoea

Ka tutuki te korere

**Tatau Tatau – we together.**



**Hon Steve Chadwick JP  
Rotorua Mayor**

# Message from the CE

## He korero nā te Tumu Whakarae



The final year of the current council term has seen the operational focus of the organisation move from gathering momentum to an agenda for growth.

Delivering on that has involved increasing community participation and shared decision-making; building business, tourism and investment confidence; sustaining momentum by progressing key projects, and driving council performance for continued improvement, efficiencies and focus.

We have continued to achieve more while at the same time continuing to reduce costs.

Financially, we have ended the 2015/16 year in a very good state with overall debt reducing to \$164.1m from \$167.5m the previous year, a \$3m increase in cash on hand, \$3.4m in debt retired, spending within budget and no borrowing forecast for 2016/17.

This was the second consecutive year the council has been able to pay down debt following 10 years of increasing debt.

Meanwhile, a very good AA-rating from international credit rating firm Fitch during this past year provided independent reassurance that council's finances are on track and this is already providing Council with savings and better borrowing rates.



These are outstanding results which have been achieved through ongoing implementation of the organisation's sustainable financial framework and strategies. This prudent financial approach means we will be better placed to respond to major upcoming infrastructure projects which are included in the 2015-2025 Long-term Plan.

This council term has been one of change for Rotorua Lakes Council as well as for the Rotorua district. The organisation was re-aligned to respond to the direction set by the community and its elected members and staff have embraced working in a portfolios structure.

The portfolios were established to deliver the Rotorua 2030 goals identified by the community as being important to enable the district to grow and progress and be a better place to live, work, invest and do business.

Members of our community have also embraced this new way of working, engaging with council within the portfolios and on individual projects and work programmes to provide direction and have input in decision-making.

Much of the work that has been done in the past three years has been community-driven.

Other key achievements during this past council term include establishing and implementing the new Te Arawa partnership, which heralds a more constructive, enduring working relationship and has received national recognition.

During this term the organisation has also focused on ensuring projects and work programmes contribute to enhancements that enable, support and/or encourage development, investment, improved economic conditions and future growth.

The District Plan has become operative after eight years in development.

Appeals to the District Plan were and going through the appeals process which were resolved in record time and without the need to go back to the Environment Court, which was an excellent result.

This plan will guide land use in our district for the foreseeable future and a hallmark of its completion is the extensive community engagement it has involved to ensure it promotes suitable development rather than being a barrier.

The ongoing challenge for staff is to continue taking advantage of opportunities while at the same time ensuring we remain an efficient, and effective organisation and whilst maintaining prudent financial management and as we head into a new council term, ensuring we are aligned to the direction set by elected officials.

I remain very confident the organisation is well geared to support and deliver Council's future direction.

**Ma te mahi tahi ka tutuki –  
working together we will  
succeed.**



**Geoff Williams  
Chief Executive**

# Your council

Ngā māngai kaunihere

## Rotorua Lakes Council



Back (L-R): Mike McVicar, Rob Kent, Peter Bentley, Karen Hunt, Mark Gould, Charles Sturt, Tania Tapsell  
Front (L-R): Trevor Maxwell, Janet Wepa, Dave Donaldson (Deputy Mayor), Glenys Searancke, Steve Chadwick (Mayor), Geoff Williams (Chief Executive), Merepeka Raukawa-Tait

## Rotorua Lakes Community Board



(L-R): Phill Thomass, Peter Bentley, Geoff Palmer (Chair), Rob Kent, Leo Meharry, John Dyer

# Māori contribution to decision making

## Nāku te rourou, nāu te rourou

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.

These include Te Pukenga Koeke o te Whare Taonga o Te Arawa, a group of Te Arawa kaumatua supporting Rotorua Museum decisions; Ngati Whakaue Gifted Reserves Protocol ensuring consultation on 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 does likewise 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.

### Te Tatau o Te Arawa board

Conducted over a two year period The Te Arawa Partnership project took a collaborative approach to establishing an innovative, strategic and enduring partnership between Te Arawa (the predominant iwi confederation of Rotorua district) and Rotorua Lakes Council.

Together Council and Te Arawa governed, managed and undertook the project in a genuinely collaborative way; researching options to build greater links and involvement of Māori in local government and then working to develop and implement an innovative partnership between local government and iwi.

The partnership provided for:

- The establishment of Te Tatau o Te Arawa, an independent charitable trust to represent Te Arawa's collective interests with the Council, comprising 14 members (representative of six key sectors of Te Arawa) and elected from a voting base of more than 11,000 Te Arawa beneficiaries
- Te Arawa representatives' appointments (with voting rights) to key Council committees - Strategy, Policy & Finance; Operations & Monitoring; and Resource Management Act Policy.
- \$250,000 in annual funding (\$290,000 in election year) from the Council to support Te Arawa board's operations and obligations under the partnership
- Te Arawa representation on Council strategic working groups.

A partnership agreement was signed on 18 December 2015 formalising the agreement. An at large election was run which elected an inaugural board. The board appointments to the council committees were accepted by council and from April 2016 the members have been a part of the committee's governance and decision making, making a valuable contribution to decisions and learning how the council operates.

# Rotorua's Progress

## A new way of working

### Vision

Following the 2013 elections the council set about building a collective vision and direction for Rotorua. The mayor and councillors recognised that without a new approach, commitment and direction we would not be able to build the community we aspire to have.

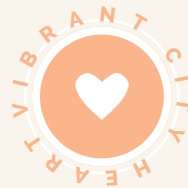
The vision of Rotorua 2030 is:

This is our home, we are its people. We're connected to each other through culture and community, we're innovative and we share what we learn, we're driving opportunity, enterprise and diversity. We support a legacy of sustainability for our environment. Rotorua is a p-lace for everyone. Tatau Tatau – we together.

Supporting this vision are seven 2030 goals:



**Papa whakatipu**  
...recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us



**Waahi pūmanawa**  
...our inviting and thriving inner city reflects our unique heritage and lakeside location



**He hāpori pūmanawa**  
...inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected



**Kāinga noho, kāinga haumaruru**  
...quality, affordable homes that are safe, warm, and available



**Whakawhanake pākihi**  
...we boast a diverse and sustainable economy energised by our natural resources and innovative people



**He huarahi hou**  
...we are a prosperous connected community; growing our education, training and employment opportunities



**Tiakina to taiao**  
...we are known globally for our clean, natural environment, air quality and healthy lakes



# The Priorities

## Ngā mahinga tuatahi

### Drafting of a bold Rotorua 2030 vision for the future of our district started after the October 2013 local government elections.

This included developing seven draft 2030 long term goals, along with four draft medium term priorities for the council and community to achieve together by 2016.

Through feedback on these goals and priorities the community gave the council a very clear indication of the direction people wanted the Rotorua district to take in the coming years.

Rotorua 2030 became the blueprint for a positive future – something the council focused on achieving in partnership with residents and other key stakeholders. There were challenges ahead that needed to be addressed.

Rotorua 2030 provided the basis for ensuring the challenges were tackled and provided a commitment to 'staying the course' of Rotorua 2030 within the constraints of our key challenges.

Underpinning the 2030 goals and the priorities for 2016 is a commitment by the Rotorua Lakes Council to work and behave differently.

These commitments are important drivers on this shared journey:

- Engaging with the community to develop a unified accord for a clear new future
- Supporting community leadership of our new strategies
- Developing a new partnership model with Te Arawa
- Working innovatively, outside traditional delivery mechanisms, to drive more cost-effective and more efficient services
- Ensuring all our work programmes align with the district's ambitions
- Reshaping our council to be more effective and response.

## WHAT ARE THE PRIORITIES

UNDERPINNING THE 2030 GOALS?



Sustainable infrastructure and affordable, effective council services



Develop our economic base by growing existing and attracting new businesses to our region



Support reinvigorated neighbourhoods and the creation of healthy homes



Develop a vibrant city heart that attracts people and activity

# Portfolio progress

## Engaging and working with our community

To support our commitment and Tatau Tatau (we together), seven portfolio areas have been identified to support the 2030 goals. Each portfolio worked with a wide range of stakeholders, community groups and leaders to develop strategies to support Rotorua 2030 and deliver on the 2016 priorities.

Within the portfolio area short and long term projects, initiatives and relationships have been developed that will improve our district. The enduring goals are measured annually to track our progress. The latest progress report for 2015 was published in May 2016. 2016 progress will be published in May/June 2017 when the results are compiled.

### THE SEVEN PORTFOLIO AREAS







# Council's priorities delivered in 2016

## Sustainable infrastructure and affordable, effective council services

KIA TIKA TE MAHI KAUNIHERA

## The Financial Strategy is paying off...

Following the 2013 elections, an independent review by PWC (PriceWaterhouseCoopers) paved the way for a rapid course of action to address major financial issues. The review revealed that:

- There was a historical pattern of not achieving budget
- Some activities had been underfunded
- Non-rates revenue had been reducing during the last five years
- Rates rises had been kept low in comparison to levels of services
- Debt had been steadily increasing ( \$100 million in 2010 to \$168 million in 2014)

Council responded by developing a sustainable financial framework and financial strategies which re-set rates rises to realistic levels, reduced spending and operating costs and improved financial reporting. Efficiency gains removed \$9.3 million in operating costs within the organisation and the 2015-25 Long-term Plan sets a target of \$1 million savings per year, without compromising service levels.

In April 2016 International credit rating agency Fitch gave Council the very high rating of AA- which signifies a very low default risk and strong capacity to meet financial commitments. Council will save an estimated \$300,000 per year as it will have access to better interest rates.



**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua

2016 FINANCIAL  
HIGHLIGHTS  
AT A GLANCE



**AA** - **FITCH**  
**RATING**

**\$3m**  
increase  
in cash on hand



**\$3.4m**  
debt retired



**No borrowing forecast for next year**

**87%**



essential services benchmark

**FUNDING**  
improvement on  
Long-term Plan = **\$12m**

# Council's priorities delivered in 2016

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

WHAKAPUAWAI | TE WAENGANUI TAONE

There are several projects and initiatives contributing to increased activity in the inner city...



Prior to the 2013 elections Council began looking at ways to support reinvigoration of the inner city area. During this term the inner city neighbourhood has promoted positive change through the ownership, engagement and contribution of the Inner City Revitalisation Portfolio, the inner city retail group and block champions, working in partnership with the council.

### Night Market extension

Success of the Thursday Night Market continues. From 10 December 2015 the Night Market extended south down Tutanekai Street towards the former city focus. The extension has a family theme with areas for families to sit while enjoying the atmosphere and food.

The extension provided opportunities for new businesses to join the market and saw an increase in foot traffic for nearby businesses.

### On-street parking in the inner city

Following a number of parking trials including free parking initiatives in the lead up to Christmas holiday shopping, feedback was collated and a final parking limit plan put into place within the inner city. The result was 'free P60 areas' in the central city. The 60 minute time limit helps to create fair parking opportunities for everyone.

The locations of the P60 parks are in most of Tutanekai St and adjoining parts of Arawa St, Haupapa, Pukuatua, Hinemoa and Eruera Streets.

### Public Art

Public art plays a key role in bringing life and vibrancy back into the heart of our city. These works take many different forms - they are located down alleyways, disguised as fence posts, gracing the walls of buildings or in plain sight for everyone to see.

A new public art trail brochure has been created to guide people through the city artworks. The trail runs from Kuirau Park along Green Corridor to the Government Gardens and around Sulphur Point. Works of art include heritage pou, the Tene Waitere carvings, bronzes, sculptures, and murals.

# Council's priorities delivered in 2016

## Develop our economic base by growing existing and attracting new businesses to our region

WHAKAPUAWAI PAKIHI HEI WHĀRIKI PŪTEA MĀ TE TAKIWĀ

### Rotorua's tourism sector enjoyed a golden summer...



**Council has worked hard to ensure projects and work programmes contribute to enhancements which enable, support and/or encourage development, investment, improved economic conditions and future growth. Council has done this in a number of ways, across all work programmes and portfolios.**

Investing in enhancing and modernising the inner city has helped to increase foot traffic and make the inner city more attractive which has contributed to increased spending, creating momentum and attracting new businesses.

That momentum has also contributed to greater interest in Rotorua as a place to live, work, invest and do business. Improvements have also been made in council's regulatory division, resulting in better, more efficient, customer-focussed consenting processes and better relationships with customers.

Meanwhile, the District Plan became operative in July following eight years and the successful resolution of all appeals, Council working collaboratively with submitters to come up with acceptable solutions.

Rotorua's economy is growing above the national average. With GDP growth of 2.9% compared with 2.3% growth nationally. Labour conditions are improving and net international migration is increasing. Rotorua's unemployment rate has fallen to its lowest level since 2009, while the number of Jobseeker Support recipients in Rotorua over the past year has eased 2.0%.

A better job market, coupled with increased migration, and rising tourism activity helped fuel a 5.8% increase in retail spending.

House prices in Rotorua continue to climb, as increasingly unaffordable housing in Auckland, Hamilton, and Tauranga pushes up demand elsewhere. Against this backdrop, building consents are beginning to climb from a low base.

Rotorua's tourism sector enjoyed a golden summer, with guest nights in commercial accommodation rising 7.1% the year to March, while the Rotorua Private Household Visitor Monitor showed guest nights in private accommodation climbed 8.4% in the same period. Visitor numbers from most parts of the world are rising in response to higher air capacity and favourable prices on international flights.

# Council's priorities delivered in 2016

## Support reinvigorated neighbourhoods and the creation of healthy homes

### WHAKAPUAWAI HĀPORI

#### Ngāpuna Development

Ngāpuna is the first community worked with under the reinvigorated neighbourhood 2016 Priority. Engaging primarily with Ngāti Hurunga te Rangi (who have mana whenua and make up about 95% of the residents in Ngāpuna), Council co-developed and has been working to an agreed action plan that has already resulted in better pavements, street lighting, speed humps and signage to improve community safety. Projects from the action plan still underway and/or being supported are the children's playground development at Te Araki Place reserve; flooding solutions for Hona Road; and contaminated land remediation at Ruha Rd (in partnership with Bay of Plenty Regional Council).

#### Māra Kai | Community Gardens

Council has been providing practical support to community gardens throughout Rotorua. Some highlights include providing opportunities for the communities involved in māra kai to come together to network and share skills and knowledge; and facilitating public bus trips to visit gardens. This has resulted in increased collaboration, with more community members and organisations becoming actively involved in establishing and/or maintaining māra kai as well as gaining support from local businesses. Broadening the role of māra kai / community gardens through integration with the Local Food Network is currently being considered.

#### Rotorua Healthy Homes Project

This project is primarily funded through EECA (Energy Efficiency and Conservation Agency) which subsidises home insulation and sets eligibility criteria.

Council, in collaboration with WISE Better Homes, Bay of Plenty Regional Council, Rotorua Trust and other local funders also contributes to the project, enabling further subsidising of home insulation. Since 2013, Healthy Homes has insulated 1155 homes. The emphasis is now on eligible rental properties.







section

02

# Service performance

**ROTORUA  
LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua







# Service performance

## Report on performance measures and resident satisfaction

**This year's performance is better than the previous financial year...**

The council collects performance data across the 17 activity areas to measure the achievement towards the levels of service as described in the annual plan. The data is collected through internal reports that are run as well as two community surveys which gauge the satisfaction of council provided services and the perception of progress towards Rotoura's 2030 goals.

This year's performance is slightly better than the previous financial year with 70% of the performance targets achieved up from 67%. In addition to the 70% of targets achieved, there were a further four targets (5% of the performance measures) which missed by only 2% of which two were from the community survey (within the margin of error) and two internally measured targets. Because this is the first year of the Long Term Plan with new performance measures, the activity areas can't easily be compared with the previous year's performance.

Detailed information for the level of service and each performance target can be viewed under the activity sections included within this annual report.

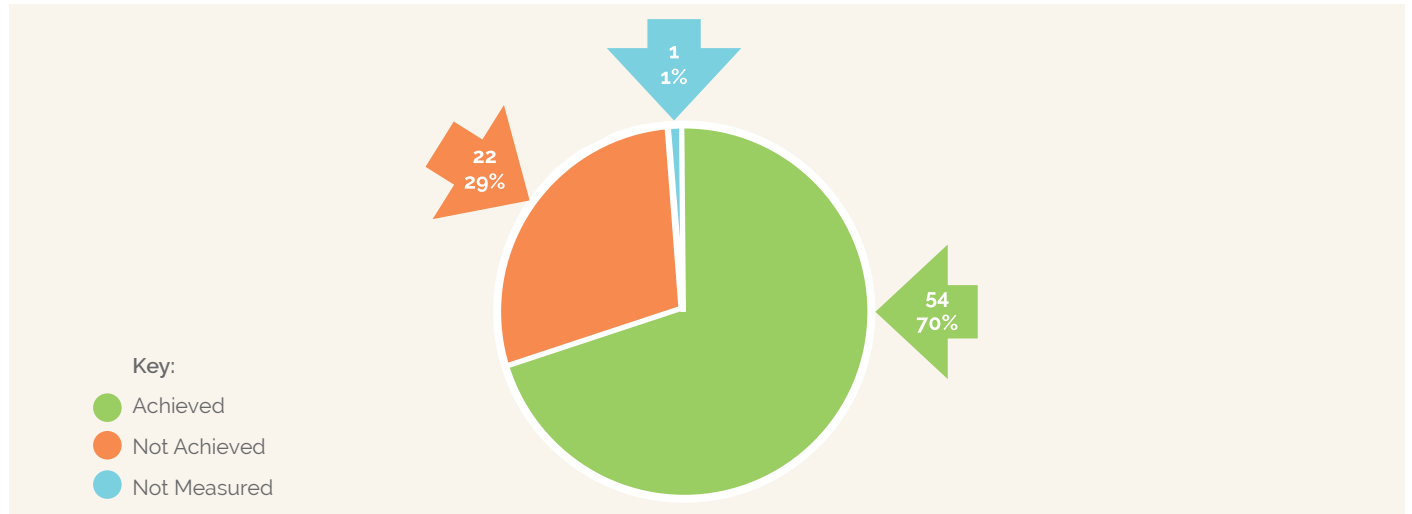
### Summary movement

CLASSIFICATION	June 2016	June 2015	Change
Achieved	70% (54)	67% (86)	+3.5%
Not achieved	29% (22)	25% (33)	+3.0%
Not measured	1% (1)	8% (10)	-6.5%

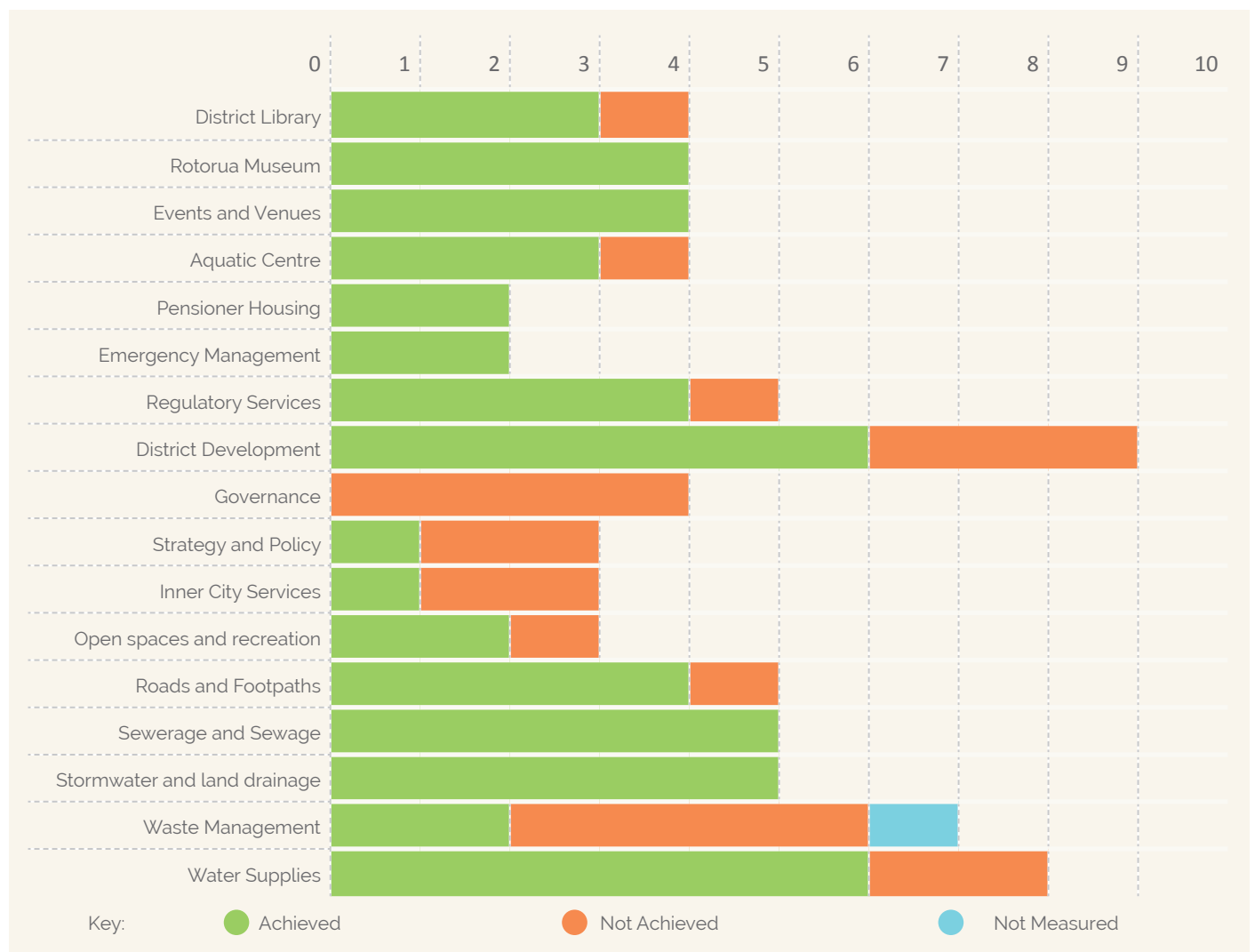


# Summary dashboard

## Performance Targets Summary



## Key Performance Targets by Activity Area



# Financial summary

## Income, financial position and cashflow

Statement of comprehensive income for the year ended 30 June:

	2016 \$000	2015 \$000	2014 \$000	2013 \$000	2012 \$000	2011 \$000
General rates	48,462	45,301	43,188	43,166	35,023	34,614
Targeted rates	32,101	28,141	28,277	28,155	36,751	33,935
Other services	30,800	29,233	32,507	36,528	49,774	43,848
Non operating adjustments	0	0	0	0	0	2,577
<b>Total revenue</b>	<b>111,363</b>	<b>102,675</b>	<b>103,972</b>	<b>107,849</b>	<b>121,548</b>	<b>114,974</b>
Personnel Costs	27,490	33,122	35,911	34,112	33,570	33,757
Other Operating Expenses	51,012	41,054	43,136	41,356	41,923	35,645
Losses on Disposal & Impairments	3,872	9,211	2,914	5,301	1,656	1,939
Depreciation	25,057	26,448	27,431	30,103	28,282	26,097
Finance Costs	8,322	8,826	8,231	8,181	9,016	7,797
Non operating expenditure	0	0	0	0	10,504	2,083
Taxation	0	0	0	0	0	0
<b>Total expenditure</b>	<b>115,753</b>	<b>118,661</b>	<b>117,623</b>	<b>119,053</b>	<b>124,951</b>	<b>107,318</b>
<b>Net Surplus</b>	<b>-4,390</b>	<b>-15,986</b>	<b>-13,651</b>	<b>-11,204</b>	<b>-3,403</b>	<b>7,656</b>

Statement of financial position for the year ended 30 June:

	2016 \$000	2015 \$000	2014 \$000	2013 \$000	2012 \$000	2011 \$000
Current assets	20,466	15,893	15,840	16,217	23,467	21,555
Current liabilities	24,739	22,555	24,569	31,003	28,902	32,442
Working capital	(4,273)	(6,663)	(8,729)	(14,786)	(5,435)	(10,887)
Investments	51,048	50,279	3,005	2,947	2,147	2,220
Non current assets	1,094,896	1,104,828	1,154,218	1,135,149	1,032,807	1,044,419
	1,141,671	1,148,443	1,148,494	1,123,310	1,029,519	1,035,752
<b>Equity:</b>						
Accumulated funds	723,323	729,554	740,644	853,903	853,102	848,433
Debt	164,100	167,500	168,675	158,383	151,756	135,110
Other term liabilities	2,374	2,194	2,282	3,114	3,147	2,661
Reserves	251,874	249,196	236,893	107,910	21,514	49,548
	1,141,671	1,148,443	1,148,494	1,123,310	1,029,519	1,035,752

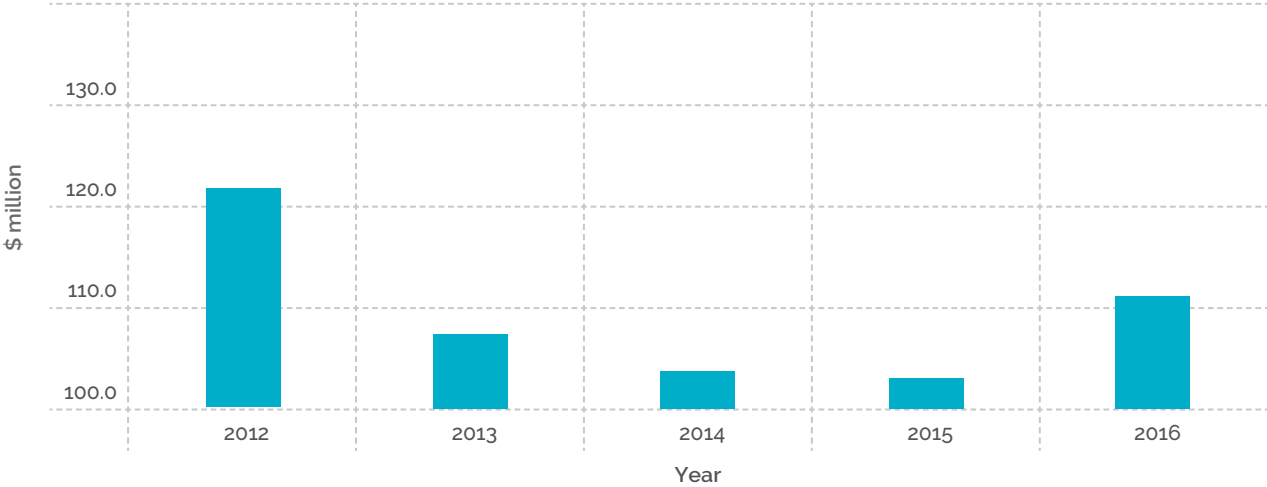
Statement of cash flow for the year ended 30 June:

	<b>2016 \$000</b>	<b>2015 \$000</b>	<b>2014 \$000</b>	<b>2013 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
Net Cash from Operating Activities	21,760	14,059	20,832	32,987	18,747	35,084
Net Cash from Investing Activities	(15,374)	(12,312)	(26,491)	(40,582)	(36,547)	(54,578)
Net Cash from Financing Activities	(3,400)	(1,175)	10,325	7,375	16,909	19,266
Net (decrease)/increase in cash, cash equivalents and bank overdraft	2,986	572	4,666	-220	-891	-228
Cash, cash equivalents and bank overdrafts at the beginning of the year	5,901	5,329	663	883	1,774	2,002
Cash, cash equivalents and bank overdrafts at the end of the year	8,887	5,901	5,329	663	883	1,774

# Financial summary

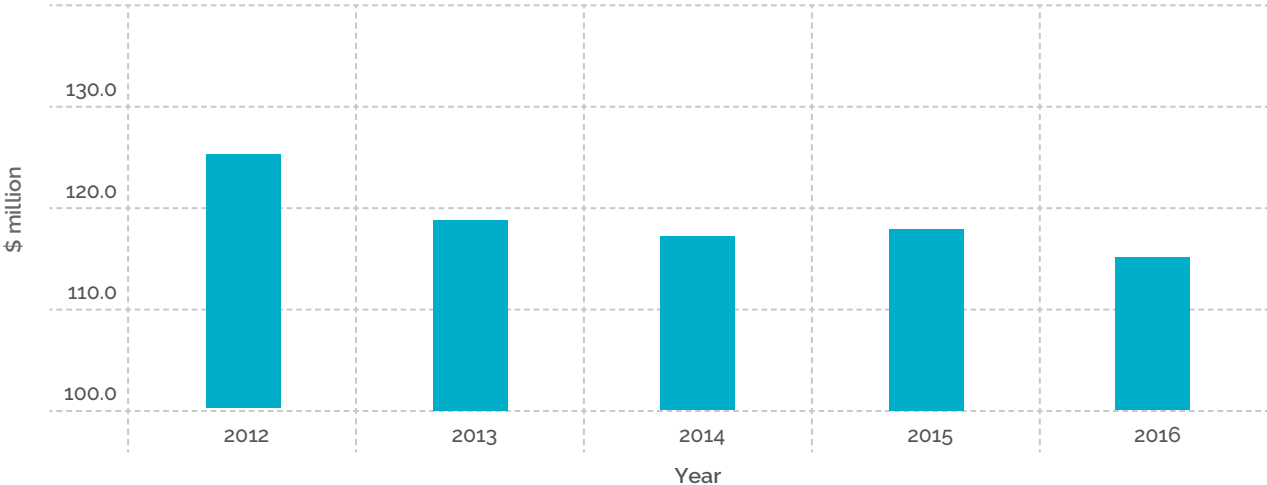
## Revenue and expenses

### Total Council Revenue



Total revenue has increased from prior year due to an increase in rates revenue received and a growth in revenue from fees and charges.

### Total Council Expenses



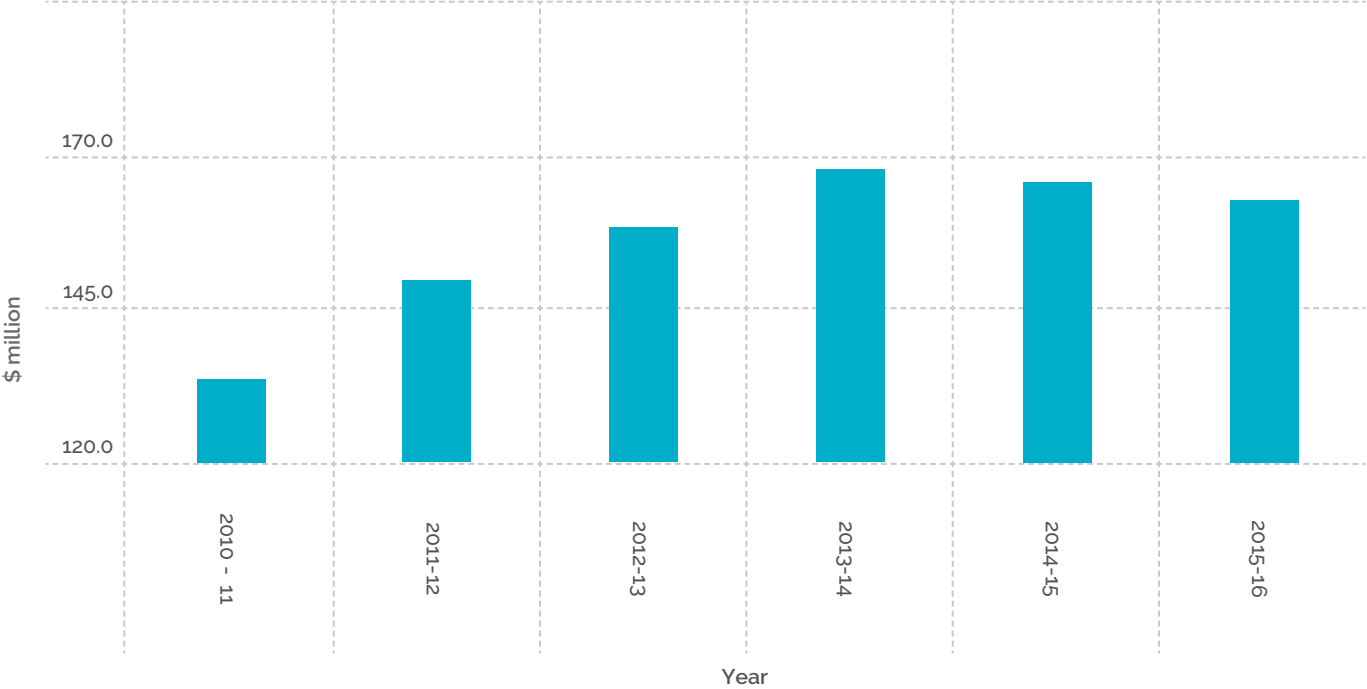
Total expenses have decreased from prior year with a reduction in non-cash write downs of fixed assets, lower finance costs, and a reduction in depreciation expense.



# Financial summary

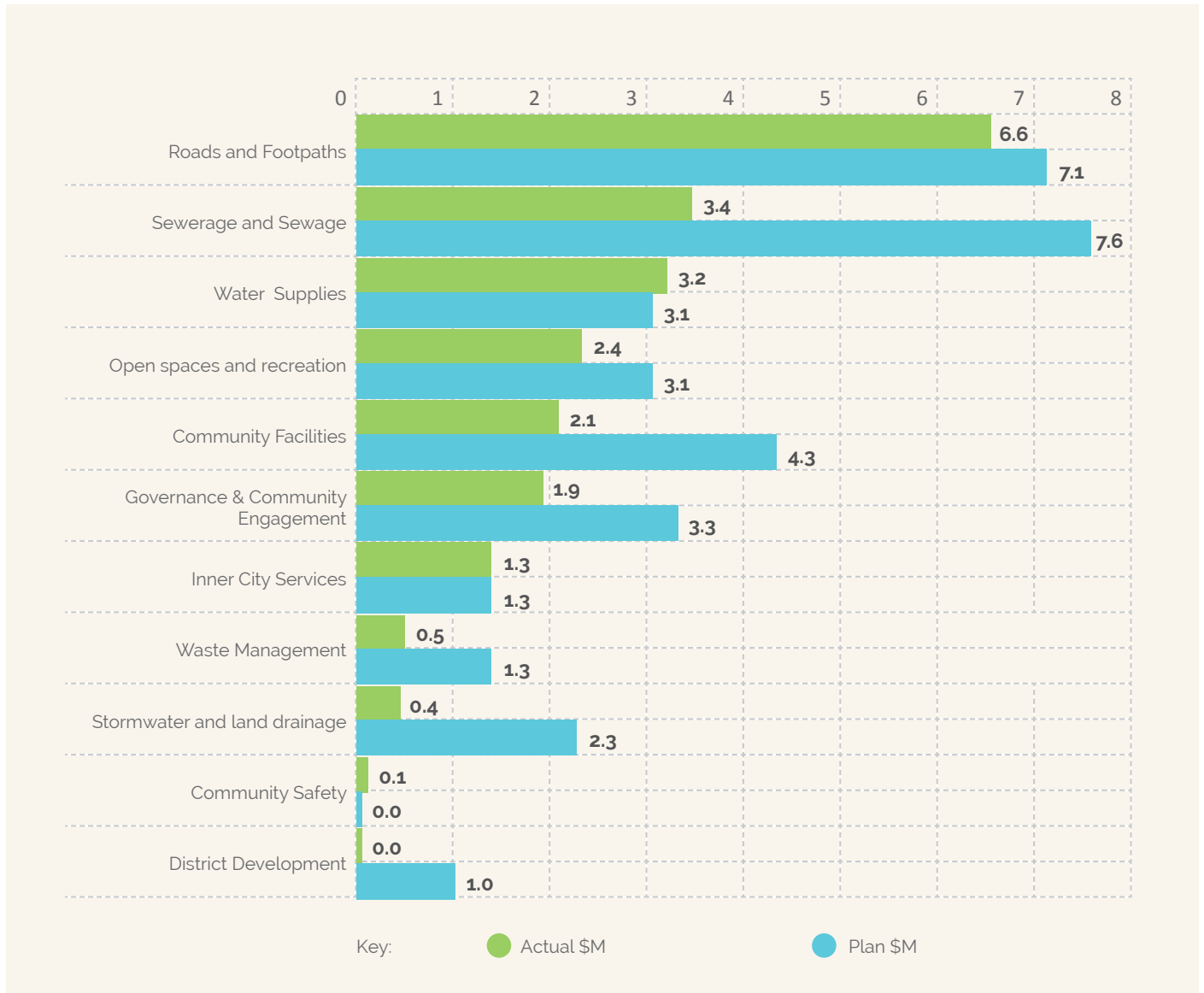
## Total council debt

Total Council Debt



Total debt decreased over the prior year and council held \$3 million more cash on hand.

## Capital Expenditure 2015-16 Actual vs Plan \$million



### Major Variances :

1. Sewerage and Sewage - deferred construction of full TERAX plant.
2. Community Facilities - work on Sir Howard Morrison Performing Arts Centre not proceeding due to capital subsidy not being received.
3. Governance and Engagement - Enterprise Resource Planning System deferred for completion in following financial year.
4. Waste Management - capital work no required for cell development due to pending change in operational management of the landfill.
5. Stormwater and Land Drainage - less work than originally anticipated for renewals.
6. District Development - iSite earthquake strengthening work being deferred for completion in following financial year



# Community Infrastructure

## Delivering our services



### What we do

#### District Library

The District Library takes care of and connects our people to information, to encourage personal development and community participation. This includes:

- collections/lending services
- website
- a mobile library and housebound service
- programme/displays and exhibitions

#### Rotorua Museum

The Rotorua Museum keeps the really important stories of our place and its people alive in an up-to-date and relevant way. This is done through the delivery of permanent exhibitions. The delivery of a dynamic and active programme of public lectures, films, tours, and children's activities provides the ability to explore art and cultures of Rotorua and other countries.

#### Events and Venues

A range of uses within the venues that includes:

- Local amateur performance
- Cultural activity performance
- Sports and recreation
- Conference and incentive activities
- Social functions
- Touring and local professional performing groups

The venues include:

- International stadium
- Energy Events Centre
- Soundshell and Te Runanga Tearooms
- Sir Howard Morrison Performing Arts Centre

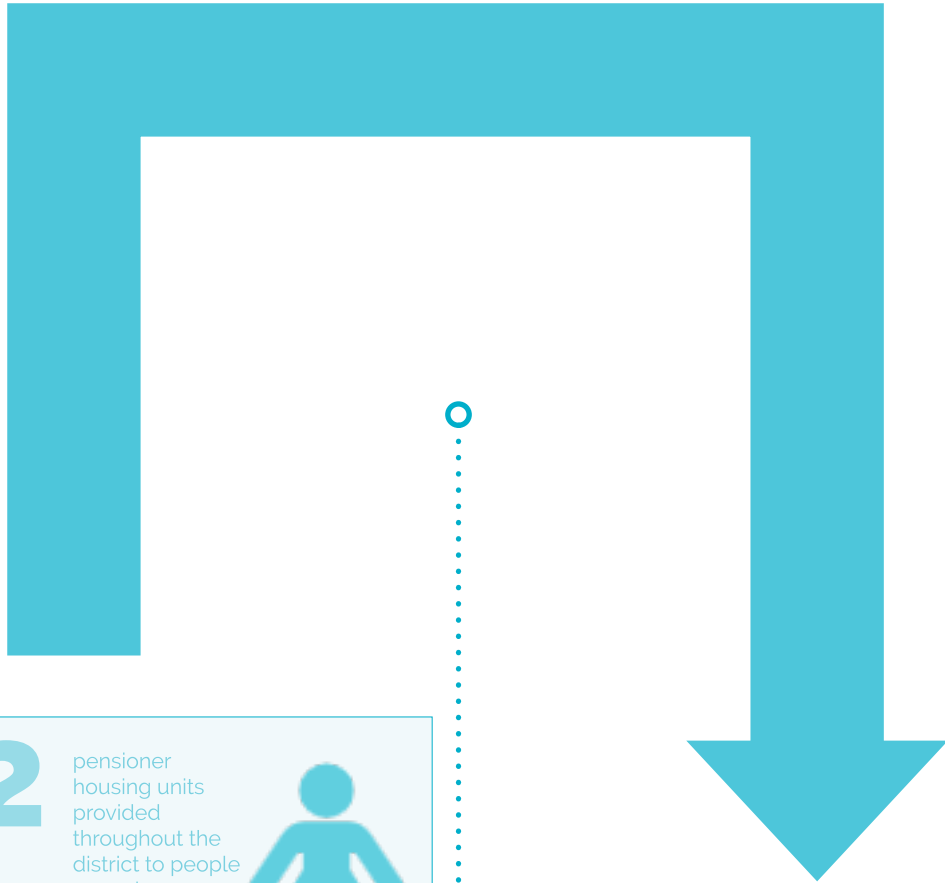
#### Aquatic Centre

The Aquatic Centre caters for local, regional and national aquatic sports, and provides recreational, health, fitness and leisure programmes and services. Sporting and physical activity opportunities include recreational programmes such as aqua jogging and aerobic classes, Aqua Mums, Green Team holiday programme and Flippa Ball (mini water polo). Other activities include swimming, water polo, canoe polo, outriggering (waka ama), underwater hockey, 'learn to swim' programmes, playground and inflatable fun, volleyball and onsite cardio studio. The centre also offers swim programmes targeting all age groups:


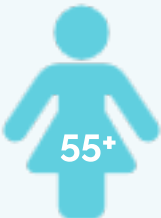
- Unison Lake Safety Programme (major sponsor Unison Networks Limited)
- Rangatahi Lifeguard Award
- Go4it Schools Swimming Initiative in conjunction with Water Safety New Zealand
- Outriggering (Waka Ama)
- Central North Island Lifeguard Competition
- Boat Safety in conjunction with Rotorua Coastguard,
- Swim for Life Campaign
- Pre-entry Police swim testing, training and assessment.

We also take care of Pensioner Housing and Community Halls...





**152** pensioner housing units provided throughout the district to people 55 and over, and with limited assets and income



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**PENSIONER HOUSING**

**9x** halls contribute to community meeting places, mainly within the rural community



### Why we do it

We're involved in arts and culture to enrich communities, treasure and display our unique cultural history, encourage exploration of new ideals and new worlds, and promote creative vibrancy within the district.

## What it cost us



COMMUNITY INFRASTRUCTURE	Long-term Plan 2014/15 \$'000	Long-term Plan 2015/16 \$'000	Actual 2015/16 \$'000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	12,800	10,696	11,014
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	130	276	467
Fees and charges	104	1,535	1,672
Internal charges and overhead recovered	10	93	146
Local Authorities, fuel tax, fines, infringements fees and other receipts	5,853	4,776	4,683
<b>Total operating funding (A)</b>	<b>18,897</b>	<b>17,376</b>	<b>17,982</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	11,252	12,251	12,963
Finance Cost	919	999	929
Internal charges and overheads applied	3,314	2,381	2,379
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>15,485</b>	<b>15,631</b>	<b>16,271</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>3,412</b>	<b>1,745</b>	<b>1,711</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	1,403	25
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>1,403</b>	<b>25</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	355	1,295	606
- to replace existing assets	1,816	2,988	1,469
Increase (decrease) in reserves	-	(1,135)	(339)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2,171</b>	<b>3,148</b>	<b>1,736</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,171)</b>	<b>(1,745)</b>	<b>(1,711)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>1,241</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures

# Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

## District Library

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Library readily accessible to residents and visitors for the purpose of information gathering, education and recreation.</b>				
 Total number of people making use of the physical library facilities both permanent and mobile.	new measure*	≥340,000	352,188	A
Percentage of residents very/fairly satisfied with the overall services offered by the library.	84% (85% target)	≥80%	73%	NA
<b>Provide a range of programmes that contribute to the education of those attending.</b>				
 Number of attendees completing reading or computer literacy modules per annum.	new measure*	≥340	516	A
Satisfaction with quality and relevance of programmes run by the library.	new measure*	≥85%	100%	A



**Total number of people making use of the physical library facilities both permanent and mobile:** 3.5% ahead of target. Numbers through the door slowed down in the last few months with the changes to layout and stock.

**Percentage of residents very/fairly satisfied with the overall services offered by the library:** 73% of Rotorua residents are satisfied with the services offered however of the households which have used the library in the past year, 87% of them were satisfied with the level of service. For those residents that were dissatisfied, the common theme was around the proposal to co-locate the library with youth health services.

**Number of attendees completing reading or computer literacy modules per annum:** In addition to those attending the reading programmes and workshops 2,187 children took part in Rhyme 'n' Rumpus and Baby Bop sessions and a further 2,528 children attended school holiday programmes.

**Satisfaction with quality and relevance of programmes run by the library:** Satisfaction results are only for those attending the computer literacy programmes.

## Museum



	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
 <b>Position the Museum as a "must see" attraction to visitors to the district, both international and domestic.</b>				
Total number of visitors per year.	new measure*	≥100,000	137,573	A
80% of local residents very/ fairly satisfied with the museum and its services.	80%	≥80%	82%	A
 <b>Provide events and programmes that are relevant to the community.</b>				
Percentage of exhibitions that have relevance to the Rotorua community.	new measure*	≥80%	95%	A
Participant satisfaction with events and programmes run by the museum.	new measure*	≥80%	92%	A

**Total number of visitors per year:** 28% increase in visits by residents due to a very strong exhibition programme and 60% increase in event participation due to a multiple family orientated programmes.

**Percentage of exhibitions that have relevance to the Rotorua community:** Exhibitions which had Rotorua content or from our own collections.

**Participant satisfaction with events and programmes run by the museum:** 92% of the 235 respondents to an internally run survey were either satisfied or extremely satisfied with our programme.

## Events and Venues

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
 <b>Encourage and promote a wide range of events and conferences with high levels of participation</b>				
Number of visitor nights resulting from visitors attending major events and multi-day business events.	new measure*	≥106,000	130,061	A
Visitor expenditure resulting from visitors attending E&V supported Major Events.	new measure*	≥\$39.2m	\$43.5m	A
 <b>Venues are provided and well used to support commercial and community based events</b>				
Community hire days of venues.	new measure*	≥330	463	A
% of available capacity utilised of all event venues.	new measure*	≥45%	62%	A

**Number of visitor nights resulting from visitors attending major events and multi-day business events:** Business events at EEC slightly below annual target, but major events has had strong participation throughout the year.



**Visitor expenditure resulting from visitors attending E&V supported Major Events:** Business event visitor spend 3% below annual target and performing arts 12% below target but major events exceeded target by 28% to lift overall visitor spend from E&V supported events by 11% over target.

**Community hire days of venues:** Hire days for the financial year were 137 for the Stadium, 232 for the EEC and 94 for the SHMPAC

**% of available capacity utilised of all event venues:** The percentage of available days used were 81% for EEC/Sportsdrome, 61% for SHMPAC and 43% for the International Stadium.



## Aquatic Centre

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Provide a variety of fun accessible activities</b>				
 Percentage of users very/fairly satisfied with the level of service.	new measure*	≥65%	88%	A
Number of visitors to the aquatic centre per year.	373,361	≥350,000	343,470	NA
<b>Provide opportunities for children to become safe around water</b>				
 Number of lessons in Learn to Swim School programmes per term.	11,717	≥10,500	11,693	A
Percentage of customers that repeat their enrolment each term.	new measure*	≥70%	71%	A


**Percentage of users very/fairly satisfied with the level of service:** During the financial year three surveys were undertaken, two in-house and the external community survey. The two in-house surveys had 81% (35 of 43) and 97% (195 of 201) satisfaction and the external survey had 82% (197 of 240) satisfaction.

**Number of visitors to the aquatic centre per year:** Attendance revenue was above target and swimming school numbers are up while non-paying visitor numbers are down.

**Number of lessons in Learn to Swim School programmes per term:** 46,771 swim lessons delivered over the year has a significant impact on our health and wellbeing and resilience in our community. The Council designed and run Learn to Swim school is now well embedded at the Aquatic Centre.

**Percentage of customers that repeat their enrolment each term:** The swim school has been running in-house since Term 3 2015. Of the 3,087 students enrolled in Term 3 2015, Term 4 2015 and/or Term 1 2016; 2,197 of them repeated their enrolment the following term.

## Pensioner Housing

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Respond to the need to provide affordable/sustainable housing to the Rotorua's older people on low incomes that is maintained to a Habitable state</b>				
 The percentage utilisation of all Pensioner houses throughout the year.	new measure*	≥95%	98%	A
100% of inspections are carried out on a 6-monthly basis.	new measure*	achieved	achieved	A

**The percentage utilisation of all Pensioner houses throughout the year:** 1,296 vacancy days from the 152 pensioner units during the financial year.

**100% of inspections are carried out on a 6-monthly basis:** All 152 pensioner units have been inspected twice during the financial year.



# Community Safety

## Delivering our services



### What we do

#### Emergency Management

We provide leadership, advice, planning and resources to enable the community to respond to and recover from any significant disaster that could affect the city.

#### Regulatory services

This is a combination of services for animal control and inspection; both of which look after public safety, health and wellbeing.

### Why we do it



We're involved in community safety to contribute towards building 'resilient communities' by minimising the risks to public health, security, personal safety and by working together to keep our district safe.



Emergency coordination centre staff capability targets = **A** ACHIEVED



**100%** of our rural fire forces are trained and equipped

**100%**  of complaints about wandering stock  were responded to **IMMEDIATELY**

## What it cost us

COMMUNITY SAFETY	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	523	1,364	1,405
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	-	10	162
Fees and charges	1,189	1,933	2,100
Internal charges and overhead recovered	-	-	9
Local Authorities, fuel tax, fines, infringements fees and other receipts	74	104	111
<b>Total operating funding (A)</b>	<b>1,786</b>	<b>3,411</b>	<b>3,787</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	1,830	2,393	2,946
Finance Cost	-	-	-
Internal charges and overheads applied	540	1,018	927
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,370</b>	<b>3,411</b>	<b>3,873</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(584)</b>	<b>-</b>	<b>(86)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	37
- to replace existing assets	44	20	44
Increase (decrease) in reserves	-	(20)	(167)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>24</b>	<b>-</b>	<b>(86)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(24)</b>	<b>-</b>	<b>86</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>(608)</b>	<b>-</b>	<b>-</b>



Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures



# Performance measures

Key: **A** Achieved    **NA** Not Achieved    **NM** Not Measured



## Emergency management

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
 <p><b>Council is ready to respond to a Civil Defence Emergency and is able to function for as long as required during an emergency</b></p> <p>Emergency Coordination Centre staff capability is developed as measured through the professional capability matrix.</p>	new measure*	≥68%	68%	A
 <p><b>Protection of people, property and the environment from the hazards of fire by prevention, suppression and control in rural areas</b></p> <p>Percentage of rural fire forces trained and equipped.</p>	achieved	≥95%	100%	A

**Emergency Coordination Centre staff capability is developed as measured through the professional capability matrix:** Due to recent staff changes the number of staff within the emergency coordination centre sits at 109, of these people 74 are fully competent and trained in CIMS (Co-ordinated Incident Management System) or have some experience in exercising for their role.

**Percentage of rural fire forces trained and equipped:** All new staff have been trained and gained the unit standard which allows for initial response reinforced with ongoing training.

## Regulatory services

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS	
<b>Ensure district is provided with clean, safe and hygienic food premises, licensed liquor outlets, hairdressers and camping grounds</b>					
	100% of all licensed premises in the very high or high risk category are inspected under the Liquor Licencing Act are monitored twice annually.	95%	100%	100%	A
	The percentage of known very high or high risk food premises (or relevant requirements under new food act) and other business covered under the health act, are monitored twice annually.	100%	100%	100%	A
	The maximum percentage of residents dissatisfied with noise control service.	new measure*	5%	13%	NA
<b>Provide safe public places free from uncontrolled dogs and wandering stock</b>					
	100% of known dogs registered or served with a notice to register by 30 June annually.	100%	100%	100%	A
	100% of complaints about wandering stock responded to immediately.	100%	100%	100%	A

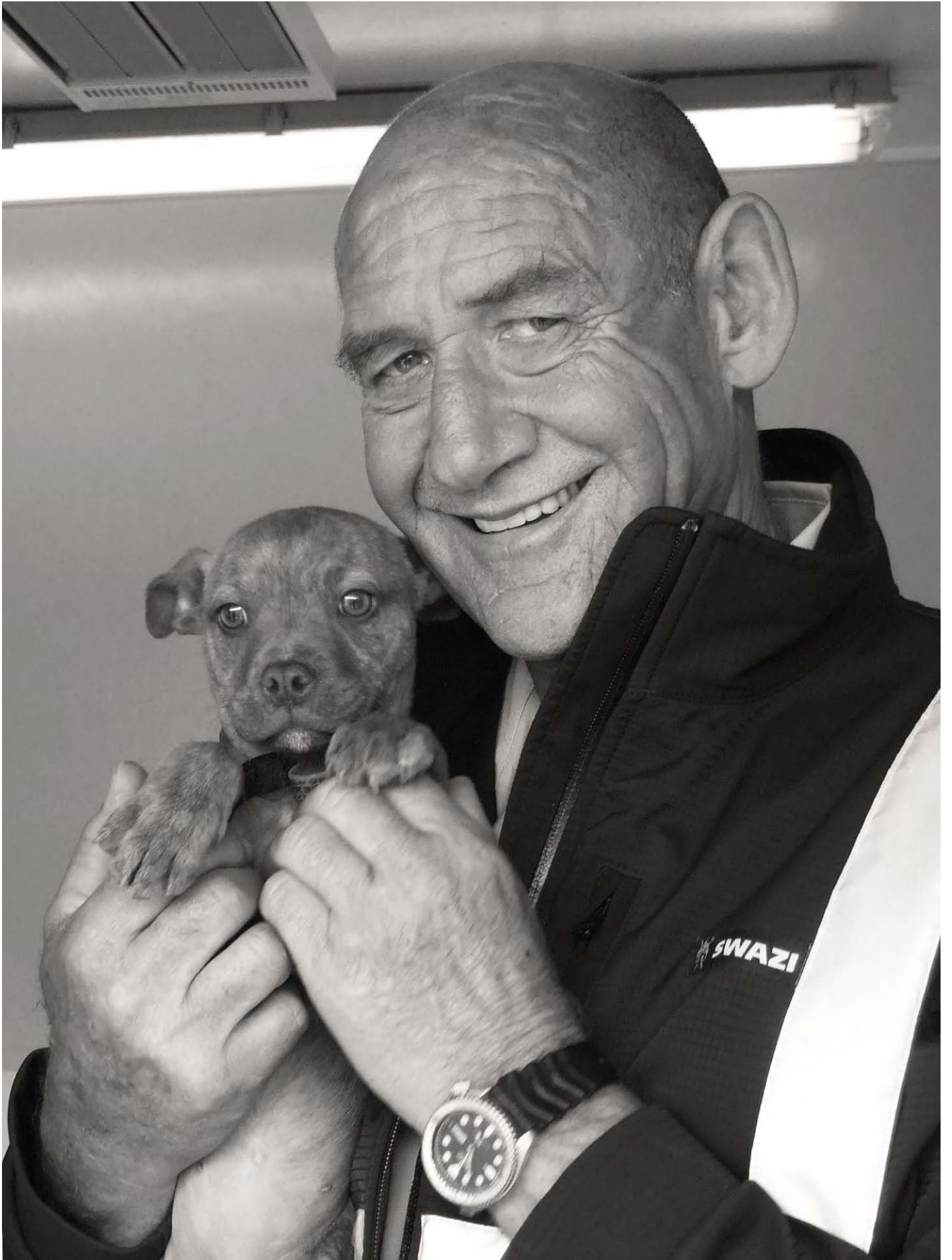
**100% of all licensed premises in the very high or high risk category are inspected under the Liquor Licencing Act are monitored twice annually:** 71 out of 71 inspections completed, consisting of 35 high and very high risk premises having had two inspections each and one premise was inspected once because it ceased to trade after the first inspection and did not re-open.

**The percentage of known very high or high risk food premises (or relevant requirements under new food act) and other business covered under the health act, are monitored twice annually:** 142 out of 142 inspections completed, consisting of 71 very high and high risk food premises having had at least two inspections each.

**The maximum percentage of residents dissatisfied with noise control service:** The dissatisfaction with noise is clearly the impact of the issue surrounding the noise coming from Lumbercube when the survey was undertaken; with 28% of the East residents contacted being dissatisfied with noise control. Of the 13% of Rotorua residents who were dissatisfied, 9% of Rotorua residents mentioned the mill as a source of their complaints.

**100% of known dogs registered or served with a notice to register by 30 June annually:** 11,589 dogs were either registered or infringed from 11,304 dogs known at the commencement of this financial year.

**100% of complaints about wandering stock responded to immediately:** 279 out of 279 complaints received concerning wandering stock within our District were responded to immediately.



# District Development

## Delivering our services



### What we do

#### Economic development

We work with external agencies to develop and improve the local economy. This includes the work Council contracts to our council controlled organisation Grow Rotorua Ltd and initiatives being developed through the Economic Growth Portfolio.

#### Destination Marketing

We work to bring visitors to Rotorua by strengthening local market brand positioning and targeting growth markets. This is done in partnership with Rotorua tourist operators, wider regional connections and Tourism NZ.

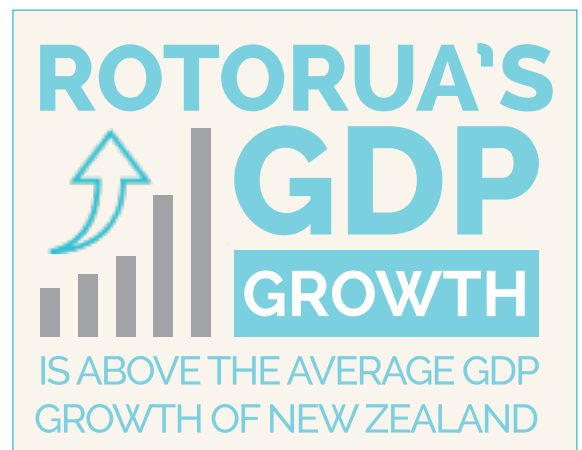
#### City planning and development

We're in the city planning business to protect Rotorua's unique environment and our citizens' quality of life, as we try to grow and develop the district.

We do this through the District Plan and resource consenting process.

### Why we do it

To develop and improve the local economy so that we all can enjoy a comfortable lifestyle with positive opportunities; to position Rotorua as a great place to visit, live, work, invest and do business.

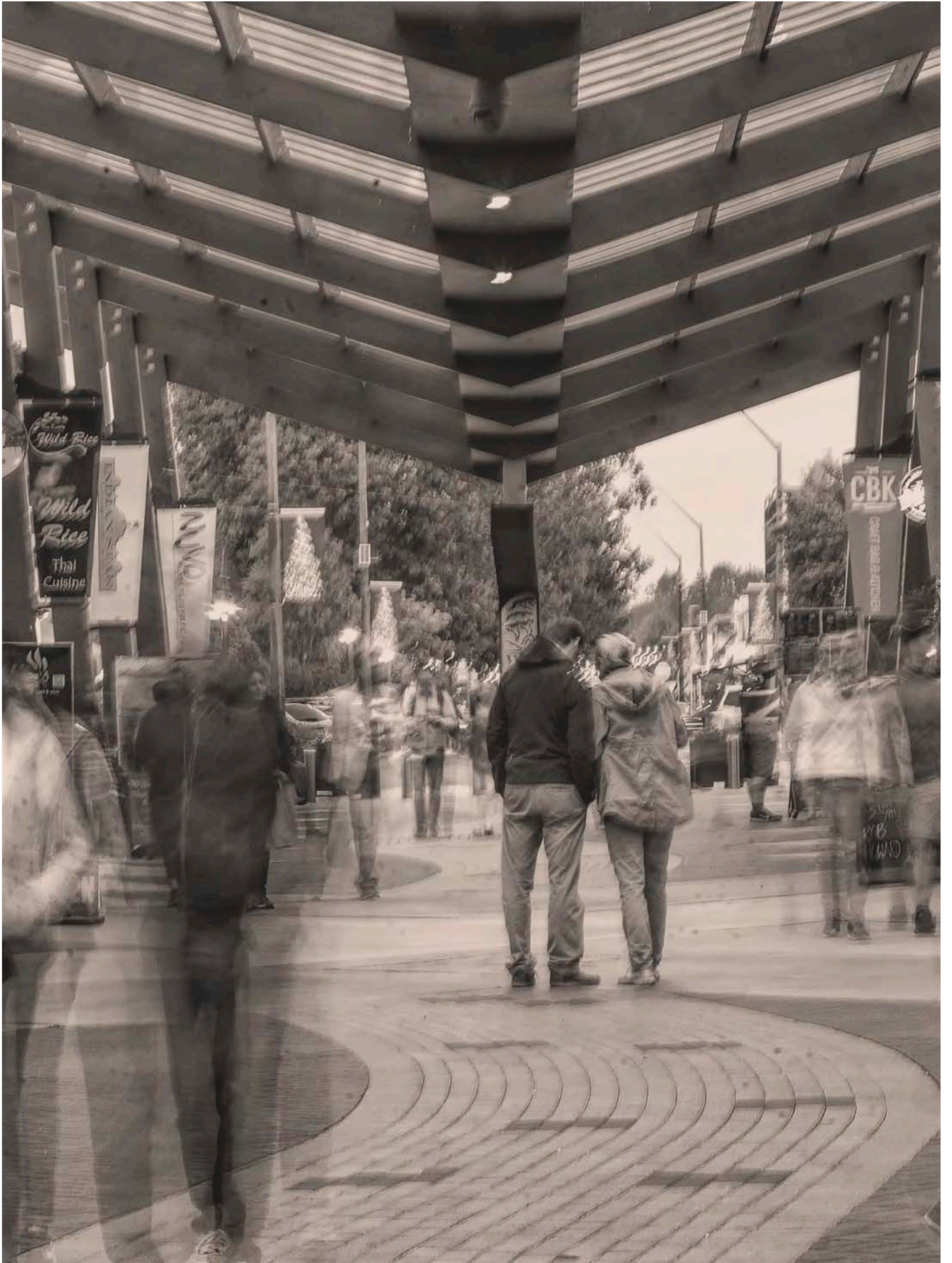




## What it cost us



DISTRICT DEVELOPMENT	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	6,364	7,957	8,194
Targeted Rates	5,522	5,580	5,582
Subsidies and grants for operating purposes	-	90	16
Fees and charges	1,607	1,480	1,445
Internal charges and overhead recovered	-	-	243
Local Authorities, fuel tax, fines, infringements fees and other receipts	2,548	1,770	2,405
<b>Total operating funding (A)</b>	<b>16,041</b>	<b>16,877</b>	<b>17,885</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	10,996	13,408	12,752
Finance Cost	3,973	1,160	1,575
Internal charges and overheads applied	1,617	1,691	1,767
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>16,586</b>	<b>16,259</b>	<b>16,094</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(545)</b>	<b>618</b>	<b>1,791</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	330
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>330</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	4
- to replace existing assets	153	1,020	38
Increase (decrease) in reserves	-	(402)	2,079
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>153</b>	<b>618</b>	<b>2,121</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(153)</b>	<b>(618)</b>	<b>(1,791)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>(698)</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures



# Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Facilitate the growth and development of the Rotorua district</b>				
% of the business plan KPIs for the Destination Rotorua business unit are achieved.	new measure*	≥80%	80%	A
% of the business plan KPIs for the airport are achieved.	new measure*	≥80%	80%	A
 % of the business plan KPIs for Grow Rotorua are achieved.	new measure*	≥80%	67%	NA
Rotorua's GDP growth is above the average GDP growth of New Zealand.	new measure*	achieved	achieved	A
The business confidence within the Rotorua district is above the average business confidence across New Zealand.	new measure*	achieved	achieved	A
Percentage increase in CBD foot traffic from the previous financial year.	5.1%	≥5%	6.6%	A
<b>Timely and consistent processing of consenting applications</b>				
 Percentage of consents processed within 15 working days.	Land use 12% Subdivision 9% Building consents N/A	Land use ≥60% Subdivision ≥25% Building consents ≥60%	Land Use 17% Subdivision 7% Building consents 84%	NA
Percentage of customers very/fairly satisfied with the consenting process.	new measure*	≥80%	78%	NA
The number of complaints with the consenting service is reduced.	new measure*	≤30	14	A

**% of the business plan KPIs for the Destination Rotorua business unit are achieved:** The Rotorua tourism industry experienced very strong growth, which contributed to Destination Rotorua achieving 80% of its headline KPIs with four of them not being achieved. Length of stay was not achieved because the Chinese market (ie. short stay) grew much faster than other market origins, resulting in the overall length of stay reducing. Three KPIs relating to business events were not achieved because the business events sales team was only fully resourced for three quarters of the financial year.

**% of the business plan KPIs for the airport are achieved:** 4 of the 5 KPIs met. Number of aircraft movements KPI not met due to the move from 19 to 50 seater aircrafts.

**% of the business plan KPIs for Grow Rotorua are achieved:** Over the year, four flagship projects were completed for a value of \$45m against a target of six projects for a value of \$30m. \$1.2m of funding was obtained against a target of \$2m. The other four KPIs were achieved.

**Rotorua's GDP growth is above the average GDP growth of New Zealand:** Infometrics data to March 2016 shows Rotorua's year on year GDP growth of 2.9% compared to 2.3% for the whole of NZ.

**The business confidence within the Rotorua district is above the average business confidence across New Zealand:** Rotorua June 2016 business confidence was +40.0 for local business conditions and +37.0 for New Zealand business conditions. This compares to the overall business confidence in New Zealand of +20.2

**Percentage increase in CBD foot traffic from the previous financial year:** The annual spring count that the property institute undertook needed to be repeated because it was carried out on the Friday before Labour Weekend. For the recount there was a 6.6% increase of pedestrians along Tutanekei Streat from 3,811 in 2014 to 4,061 in 2015.

**Percentage of consents processed within 15 working days:** 84% of building consents have been approved within 15 working days, whereas the land use consents and subdivision consents have had 17% and 7% respectively. Overall the consents team has processed 1,480 land use, subdivision and building consents, and of these 1,231 had a decision within 15 working days which equates to 73% of total applications.

**Percentage of customers very/fairly satisfied with the consenting process:** The satisfaction from the survey ranged from 86% for building inspections, 75% for building consents and 73% for resource consents. Overall there were 6 respondents (7%) that stated they were dissatisfied with the overall service, of which one was a regular customer and the other five were for one off requests.

**The number of complaints with the consenting service is reduced:** The number of complaints as recorded in the request for service database.



# Governance and Community Engagement

## Delivering our services



## What we do

### Governance and democracy

This activity covers a range of specific functions and is also the home of corporate leadership, planning, and the technical and administrative support for Council's many services. Supports the decision-making process of the mayor, elected members, and committees. Governance and democracy are the cornerstone of local government and we will continue to provide the means needed to conduct fair and open governance.

It also supports engagement between Council and Maori communities, marae, runanga, iwi, hapu and whanau, facilitating Maori input into council decision-making. It provides community information and engagement support to ensure we talk with our community and hear their needs.

### Strategy and policy development

Deliver plans that set change for delivering the Rotorua 2030 goals. Develops and aligns policy and bylaws to focus delivery of services towards achievement of the Rotorua 2030 vision.

### Strategic property investment

Manage the council's property portfolio, ensuring that the investments that have been made provide a gross return that is sustainable and meets the needs of our community.

## Why we do it

To support the council's role in setting the future direction and priorities for our district, enabling informed and inclusive decision-making, supporting opportunities for Maori to contribute to decision-making and supporting strong and efficient leadership.



## What it cost us


GOVERNANCE AND COMMUNITY ENGAGEMENT	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	2,396	3,864	3,979
Targeted Rates	-	53	72
Subsidies and grants for operating purposes	24	53	90
Fees and charges	129	422	650
Internal charges and overhead recovered	15,259	11,848	12,700
Local Authorities, fuel tax, fines, infringements fees and other receipts	1,082	1,078	2,093
<b>Total operating funding (A)</b>	<b>18,890</b>	<b>17,318</b>	<b>19,584</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	16,028	14,792	16,362
Finance Cost	59	367	382
Internal charges and overheads applied	-	781	1,596
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>16,087</b>	<b>15,940</b>	<b>18,340</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,803</b>	<b>1,378</b>	<b>1,244</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	1,000	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	7,000	(3,400)
Gross proceeds from sale of assets	-	1,000	4,589
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,000</b>	<b>8,000</b>	<b>1,189</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	563	128	833
- to replace existing assets	1,220	3,146	1,051
Increase (decrease) in reserves	-	6,104	(570)
Increase (decrease) of investments	-	-	1,119
<b>Total applications of capital funding (D)</b>	<b>1,783</b>	<b>9,378</b>	<b>2,433</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(783)</b>	<b>(1,378)</b>	<b>(1,244)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>2,020</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures

# Performance measures



Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

## Governance

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Provide sound analysis and advice to better engage with communities on Council decisions related to the strategic direction of Rotorua</b>				
Percentage of residents that are very/fairly satisfied with how rates are spent on services and facilities provided by Council.	71%	≥70%	64%	NA
 Percentage of residents that strongly approve/approve of the decisions and or actions Council makes.	50%	≥60%	49%	NA
Percentage of residents that are very/fairly satisfied with the quality of information Council provides.	76%	≥60%	58%	NA
Percentage of residents who feel they can participate in decision-making.	new measure*	≥50%	44%	NA

**Percentage of residents that are very/fairly satisfied with how rates are spent on services and facilities provided by Council; Percentage of residents that strongly approve/approve of the decisions and or actions Council makes; Percentage of residents that are very/fairly satisfied with the quality of information Council provides; Percentage of residents who feel they can participate in decision-making:** A number of challenging decisions were taken in the last year and these may have resulted in a decline in satisfaction.

## Strategy and policy

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Develop and implement community led strategies and projects that deliver on our Rotorua 2030 goals.</b>				
 Percentage of residents who feel we are delivering and moving towards the 2030 goals.	new measure*	≥60%	54%	NA
The percentage of 2030 measures that are moving in a favourable direction.	new measure*	≥65%	69%	A
<b>Develop policy, bylaws and plans that support the achievement of Rotorua 2030.</b>				
 All statutory plans, policies and bylaws are delivered within their statutory timeframes.	new measure*	Achieved	Not Achieved	NA

**Percentage of residents who feel we are delivering and moving towards the 2030 goals:** From the three surveys that have been undertaken this year 54% agree that progress is being made, 19% stated no progress is being made and 28% of respondents answered they don't know. For respondents who articulated a definitive opinion, 74% state that they believe progress is being made.

**The percentage of 2030 measures that are moving in a favourable direction:** 11 of the 16 measures are moving in a favourable direction with the five not yet showing progress being resident's sense of belonging, the number of homes insulated, the frequency of use of recreational facilities, perception of cleanliness in the district and the lake water quality as measured by the Lakes Trophic Level Index.

**All statutory plans, policies and bylaws are delivered within their statutory timeframes:** Over the financial year the district plan has been completed with all appeals resolved in record time to have the new plan go operative in July 2016. Bylaw and policy reviews completed include Traffic, Signs on Roads and the Geothermal Bylaw. Two other bylaws/policies are currently in a deferred status and one is in negotiation with appellants. The gambling policy is the only policy currently outside the statutory timeframe and will be ready at the year-end for consultation.

# Inner City Services

## Delivering our services



### What we do

#### City Services

Services include keeping streets clean, servicing public toilets, graffiti removal, parking management, maintenance of a crime prevention camera network, and management of City Safe Guardians.

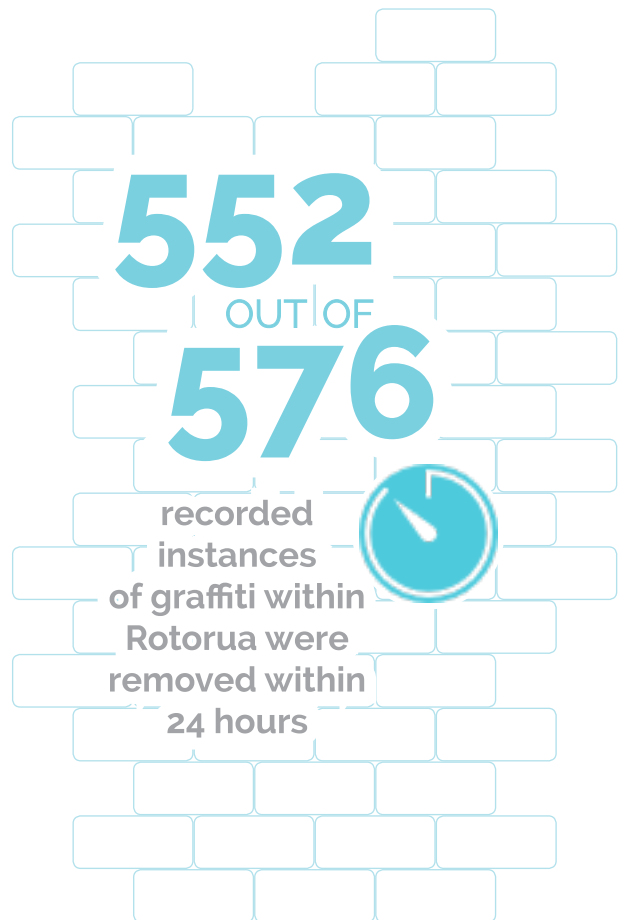
#### Public safety

We provide City Safe Guardians, people who are visible and active within the CBD and immediate surrounds. They work with the police, retailers, tourists and our citizens to ensure people feel safe on our streets.

They can move freely from place to place, are able to get quick directional information, and report issues and risks that need addressing.

### Why we do it

Create a 'destination within a destination' to which our people and visitors are drawn by its vibrancy, to shop, explore, be entertained and live.



## What it cost us



INNER CITY SERVICES	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	2,094	1,520	1,565
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	51	-	-
Fees and charges	-	148	-
Internal charges and overhead recovered	-	1	26
Local Authorities, fuel tax, fines, infringements fees and other receipts	2,951	2,237	2,088
<b>Total operating funding (A)</b>	<b>5,096</b>	<b>3,906</b>	<b>3,679</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	1,731	1,508	2,451
Finance Cost	126	86	63
Internal charges and overheads applied	1,694	1,550	537
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,551</b>	<b>3,144</b>	<b>3,051</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,545</b>	<b>762</b>	<b>628</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	1,105	663
- to replace existing assets	-	153	652
Increase (decrease) in reserves	-	(496)	(687)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>762</b>	<b>628</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>(762)</b>	<b>(628)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>1,545</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures



## Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Public toilets are clean, hygienic, and are accessible.</b>				
 Percentage of public toilets that are cleaned according to policy.	new measure*	≥95%	93%	NA
Percentage of inner city public toilets that meet the standard of a tier 2 or better toilet classification as defined by the public toilet policy.	new measure*	≥40%	20%	NA
<b>Enhance the aesthetic look of Rotorua.</b>				
 Percentage of graffiti that is removed within 24 hours to deter and Keep Rotorua Beautiful	new measure*	≥95%	96%	A

**Percentage of public toilets that are cleaned according to policy:** The data to measure this KPI has only been available since mid-May. Of the nine inner city toilets on the cleaning schedule; four were cleaned 99-100% of their schedule, three were cleaned between 88% and 94% of their schedule and one was being upgraded and not open to the public. The remaining public toilet only achieved a 53% cleaning frequency because it was meant to be cleaned twice daily but was generally only cleaned once a day which brought the overall percentage below target. Despite only being cleaned once a day, there have been no recorded complaints for this particular toilet during the financial year. The cleaning routes have since been rescheduled to increase the number of visits for this toilet.

**Percentage of inner city public toilets that meet the standard of a tier 2 or better toilet classification as defined by the public toilet policy:** The plan for this financial year was to upgrade two inner city public toilets at Kuirau Park and Memorial Drive to a Tier 2 quality or better. Due to a contractual need to move Pukuatua Street toilets to a new location, the upgrade of Kuirau Park toilets has been deferred and will be implemented as part of an overall redevelopment plan for Kuirau Park. The upgrade to the Memorial Drive toilets was completed at the end of the financial year but not opened to the public until 20th July. This now brings the percentage up to 30%. A programme is in place to continue to upgrade our inner city toilets.

**Percentage of graffiti that is removed within 24 hours to deter and Keep Rotorua Beautiful:** 552 of the 576 recorded instances of graffiti within Rotorua were removed within 24 hours





# Open Spaces and Recreation

## Delivering our services



### What we do

#### Open space

The council provides and manages 800 hectares of reserve land (excluding the Tokorangi Forest), 45 kilometres of walkways, 72 playgrounds with 227 individual pieces of play equipment, and 50 hectares of sportsfield land. These open spaces provide for recreation and organised sport, garden environments and green corridors that contribute to the district's natural form, character and amenity values.

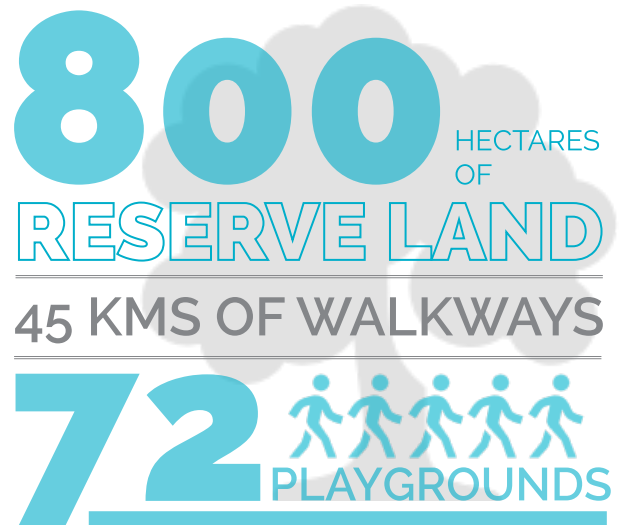
#### Tokorangi/Whakarewarewa forest parks

The council is responsible for maintenance of walking and mountain bike trails in the Tokorangi Forest, famous for the magnificent stands of towering Californian Coastal Redwoods. The tracks in the adjacent Whakarewarewa Forest are maintained by volunteer track sponsors.

The council is charged with maintaining and enhancing the landscape, recreational potential and aesthetic value of the forest as a significant backdrop to Rotorua.

### Why we do it

We're involved in providing a wide array of open spaces and recreational opportunities. These contribute towards our people being actively involved in organised and passive health and fitness activities and beautification of our CBD and surrounds and preserving our green network, all of which lead to increased inner wellbeing and pride in how our district looks.



## What it cost us



OPEN SPACES AND RECREATION	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	7,959	9,581	9,866
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	-	219	2
Fees and charges	-	35	-
Internal charges and overhead recovered	422	-	11
Local Authorities, fuel tax, fines, infringements fees and other receipts	2,240	654	849
<b>Total operating funding (A)</b>	<b>10,621</b>	<b>10,489</b>	<b>10,728</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	1,647	1,721	6,764
Finance Cost	938	851	874
Internal charges and overheads applied	6,132	5,967	990
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,717</b>	<b>8,539</b>	<b>8,628</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,904</b>	<b>1,950</b>	<b>2,100</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	30	111
Development and financial contributions	158	-	131
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>158</b>	<b>30</b>	<b>242</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	650	1,615	1,808
- to replace existing assets	1,185	1,494	617
Increase (decrease) in reserves	-	(1,129)	(83)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,835</b>	<b>1,980</b>	<b>2,342</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,677)</b>	<b>(1,950)</b>	<b>(2,100)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>227</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures



# Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Provide safe well maintained and attractive open spaces that will encourage use and play</b>				
 Percentage of residents very/fairly satisfied with the level of service for parks, reserves and playgrounds.	89%	≥90%	89%	NA
Percentage of residents that have visited parks, reserves and playgrounds in the last year.	89%	≥85%	90%	A
<b>Encourage and facilitate public use of open spaces</b>				
 The number of open spaces, reserve and sportsground bookings.	new measure*	≥1,575%	2,019	A

**Percentage of residents very/fairly satisfied with the level of service for parks, reserves and playgrounds:** Within the margin of error of the survey

**The number of open spaces, reserve and sportsground bookings:** Reserve bookings have exceeded the annual target



# Roads and Footpaths

## Delivering our services

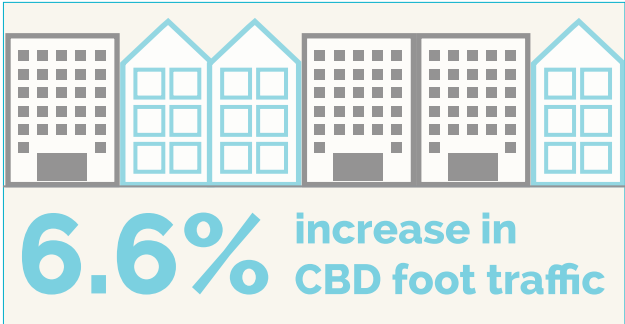


### What we do

This activity includes development and management of the roading network, including public transport infrastructure, safety programmes, alternative transport modes and long term planning. Roding networks are critical to supporting and developing the economy, particularly in Rotorua district where three major economic drivers of forestry, agriculture and tourism are so reliant on efficient transport systems.

### Why we do it

To provide a safe and efficient transport network that supports the district's economy, provides access for utilities; supports facilitation of events and other activities; promotes road safety; and encourages the use of other sustainable forms of travel.








## What it cost us

ROADS AND FOOTPATHS	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	9,125	8,231	8,476
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	3,244	2,588	2,500
Fees and charges	42	30	-
Internal charges and overhead recovered	-	-	-
Local Authorities, fuel tax, fines, infringements fees and other receipts	-	608	593
<b>Total operating funding (A)</b>	<b>12,411</b>	<b>11,457</b>	<b>11,569</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	6,232	6,276	6,171
Finance Cost	873	1,870	1,933
Internal charges and overheads applied	2,718	657	434
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>9,823</b>	<b>8,803</b>	<b>8,538</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,588</b>	<b>2,654</b>	<b>3,031</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	4,145	2,735	2,659
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,145</b>	<b>2,735</b>	<b>2,659</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	560	-	-
- to improve the level of service	-	1,866	2,042
- to replace existing assets	4,994	5,250	4,557
Increase (decrease) in reserves	-	(1,727)	(909)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>5,554</b>	<b>5,389</b>	<b>5,690</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,409)</b>	<b>(2,654)</b>	<b>(3,031)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>1,179</b>	<b>-</b>	<b>-</b>

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## Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
 <b>Road safety</b> The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	1 less fatal and 3 fewer serious crash injuries	At least 1 below the previous year	1 more fatal and 9 more serious crash injuries	NA
 <b>Road condition</b> The average quality of ride on a sealed local road network, measured by smooth travel exposure.	88%	≥75%	85%	A
 <b>Road maintenance</b> The percentage of the sealed local road network that is resurfaced.	8.2%	≥8%	8%	A
 <b>Footpaths</b> The percentage of footpaths that are condition four (4) or better.	99%	≥98%	100%	A
 <b>Response to service requests</b> The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days.	88%	≥90%	91%	A

**The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number:** Previous year data from crash database indicates:

2011/12 - Fatal 0	Serious Injuries 28
2012/13 - Fatal 5	Serious Injuries 10
2013/14 - Fatal 2	Serious Injuries 11
2014/15 - Fatal 1	Serious Injuries 8
2015/16 - Fatal 2	Serious Injuries 17

Although the number of serious injury and fatal crashes has increased this financial year, the total number of crashes (including non-injury ones) has been steadily reducing and this financial year reduced from 179 to 144, a 20% reduction.

**The average quality of ride on a sealed local road network, measured by smooth travel exposure:** Quality of seal surfaces when measured by smooth travel exposure is above target

**The percentage of the sealed local road network that is resurfaced:** 69km of planned resealing completed from a total of 865.5km of sealed roads at the start of the financial year

**The percentage of footpaths that are condition four (4) or better:** The annual random audit of a 10% sample of footpaths identified none at condition 5 (requiring immediate replacement) so all are condition 4 or better

**The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days:** All 1,306 maintenance requests receive an immediate response and of the 2,864 complaints and/or new service requests 2,469 of them were responded to within five working days.



# Sewerage and Sewage

## Delivering our services

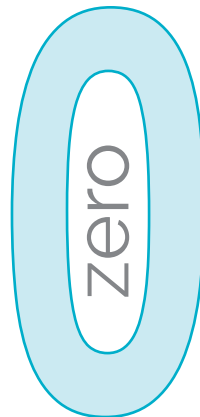


### What we do

This activity comprises the collection, treatment and disposal of sewage from toilets and drains, from the three urban areas of Rotorua (Ngongotaha, city and eastern suburbs) as well as identified rural lakeside communities.

### Why we do it

To provide for the removal of sewage and liquid trade wastes from communities, to promote public health and minimise the impact of communities on the environment.



**abatement notices**

**infringement notices**

**enforcement orders**

**convictions**

*in relation to sewerage discharge resource consents*




## What it cost us

SEWERAGE AND SEWAGE	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	-	-	-
Targeted Rates	12,664	14,299	14,210
Subsidies and grants for operating purposes	-	-	-
Fees and charges	516	661	630
Internal charges and overhead recovered	-	501	794
Local Authorities, fuel tax, fines, infringements fees and other receipts	-	1	23
<b>Total operating funding (A)</b>	<b>13,180</b>	<b>15,462</b>	<b>15,657</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	6,089	4,921	5,318
Finance Cost	460	735	496
Internal charges and overheads applied	3,803	3,117	2,391
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>10,352</b>	<b>8,773</b>	<b>8,205</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,828</b>	<b>6,689</b>	<b>7,452</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	4,185	2,145	280
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,185</b>	<b>2,145</b>	<b>280</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	12,030	6,117	2,099
- to replace existing assets	1,754	1,504	1,261
Increase (decrease) in reserves	-	1,213	4,372
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>13,784</b>	<b>8,834</b>	<b>7,732</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(9,599)</b>	<b>(6,689)</b>	<b>(7,452)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>(6,771)</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures

## Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>System and adequacy</b>				
 <p>The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p>	<b>2.8 / 1000 connections</b>	<b>≤ 5 / 1000 connections</b>	<b>3.5 / 1000 connections</b>	<b>A</b>
<b>Discharge compliance</b>				
 <p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> <li>a) abatement notices</li> <li>b) infringement notices</li> <li>c) enforcement orders</li> <li>d) convictions received by the territorial authority in relation to those resource consents</li> </ul>	<b>0</b>	<b>0</b>	<b>0</b>	<b>A</b>
<b>Fault response times</b>				
 <p>Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median attendance time from the time that the territorial authority receives notification to the time that service personnel reach the site.</p>	<b>72 minutes</b>	<b>≤ 60 minutes</b>	<b>41 minutes</b>	<b>A</b>
 <p>Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median resolution time from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.</p>	<b>230 minutes</b>	<b>≤ 240 minutes</b>	<b>236 minutes</b>	<b>A</b>
<b>Customer satisfaction</b>				
 <p>The total number of complaints received by the territorial authority about any of the following:</p> <ul style="list-style-type: none"> <li>• sewage odour</li> <li>• sewerage system faults</li> <li>• sewerage system blockages, and</li> <li>• the territorial authority's response to issues with its sewerage system,</li> </ul> <p>expressed per 1000 connections to the territorial authority's sewerage system</p>	<p><b>23 odour</b>  <b>96 faults</b>  <b>56 blockages</b>  <b>1 response complaint</b></p> <p><b>Total 7.2 / 1000 connections</b></p>	<b>≤ 10 / 1000 connections</b>	<p><b>24 odour</b>  <b>0 faults</b>  <b>83 blockages</b>  <b>1 response complaint</b></p> <p><b>Total 4.6 / 1000 connections</b></p>	<b>A</b>

**The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system:** 83 overflows reported from 23,512 properties rated for sewer.

**Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:** a) abatement notices; b) infringement notices; c) enforcement orders; d) convictions; received by the territorial authority in relation to those resource consents: Target met.

**Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median attendance time from the time that the territorial authority receives notification to the time that service personnel reach the site:** Target met.

**Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median resolution time from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault:** Target met.

**The total number of complaints received by the territorial authority about any of the following:** sewage odour; sewerage system faults; sewerage system blockages, and; the territorial authority's response to issues with its sewerage system; expressed per 1000 connections to the territorial authority's sewerage system: An improvement from the previous financial year with 108 complaints this financial year compared to 176 for the previous financial year.

# Stormwater and Land Drainage

## Delivering our services



### What we do

- Maintain stormwater systems and operate to manage drainage of excess rainfall.
- Develop and implement programmes to progressively improve stormwater systems in areas that experience localised flooding usually resulting from extreme rainfall episodes.
- Manage an integrated approach to planning and maintaining a stormwater system that includes: ecosystems, people, urban design, communities and businesses, as well as cultural, amenity and social values. Regulate property owner responsibilities to utilise public stormwater facilities to assist in the provision of a fully functional stormwater system.

### Why we do it

To manage the drainage of excess rainfall so that property and people are protected from flood damage, and to mitigate the adverse effects of stormwater run-off on the District's lakes and waterways.










## What it cost us

STORMWATER AND LAND DRAINAGE	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	5,719	3,345	3,444
Targeted Rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	63	-	-
Internal charges and overhead recovered	-	-	-
Local Authorities, fuel tax, fines, infringements fees and other receipts	-	12	1
<b>Total operating funding (A)</b>	<b>5,782</b>	<b>3,357</b>	<b>3,445</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	876	464	712
Finance Cost	831	753	702
Internal charges and overheads applied	1,364	739	320
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,071</b>	<b>1,956</b>	<b>1,734</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,711</b>	<b>1,401</b>	<b>1,711</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	724	-	-
- to improve the level of service	-	-	221
- to replace existing assets	1,675	2,312	221
Increase (decrease) in reserves	-	(911)	1,269
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2,399</b>	<b>1,401</b>	<b>1,711</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,399)</b>	<b>(1,401)</b>	<b>(1,711)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>312</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures

# Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>System and adequacy</b>				
 The number of flooding events that occur in a territorial authority district.	1	≤ 2	0	A
 For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system).	0.3 / 1000 rated properties	≤ 0.5 / 1000 rated properties	0	A
<b>Discharge compliance</b>				
 Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	0	0	0	A
<b>Fault response times</b>				
 The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	49 minutes	≤ 60 minutes	20 minutes	A
<b>Customer satisfaction</b>				
 The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	14.2 / 1000 rated properties	≤ 20 / 1000 rated properties	5.1 / 1000 rated properties	A

**The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system:** 144 complaints received from 28,376 rated properties. Figure is considerably lower than last year due to improved reporting, previous reporting included calls not related to performance.



# Waste management

## Delivering our services



### What we do

This group of activities includes:

- Refuse collection
- Waste management
- Landfill

The activities provide a weekly refuse collection service for residential properties, manages and provides recycling and re-use services and plans, provides and manages waste disposal facilities.

### Why we do it

To provide for the collection, reduction, re-use, recycling, and disposal of waste in a sustainable manner.

91%

of residents

very/fairly satisfied

with refuse collection service








## What it cost us

WASTE MANAGEMENT	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	1,148	462	476
Targeted Rates	2,837	4,140	4,117
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	385	-
Internal charges and overhead recovered	1,246	1,213	142
Local Authorities, fuel tax, fines, infringements fees and other receipts	3,447	1,889	3,382
<b>Total operating funding (A)</b>	<b>8,678</b>	<b>8,089</b>	<b>8,117</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	3,771	3,752	6,726
Finance Cost	458	908	864
Internal charges and overheads applied	5,204	3,429	1,104
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>9,433</b>	<b>8,089</b>	<b>8,694</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(755)</b>	<b>-</b>	<b>(577)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	953	414	400
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>953</b>	<b>414</b>	<b>400</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	75	-	-
- to replace existing assets	326	1,275	461
Increase (decrease) in reserves	-	(861)	(638)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>401</b>	<b>414</b>	<b>(177)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>552</b>	<b>-</b>	<b>577</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>(203)</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures

## Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS	
<b>Provide efficient household waste and recycling services</b>					
	Percentage of residents very/fairly satisfied with refuse collection service.	95% (target 95%)	≥90%	91%	A
	Percentage of residents very/fairly satisfied with recycling collection service.	new measure*	≥60%	69%	A
<b>Provide sustainable recycling facilities for household, green waste and concrete</b>					
	Increasing number of tonnes per annum of green + wood waste recovered.	new measure*	≥6,750 tonnes	6,464 tonnes	NA
	Increasing number of tonnes per annum of concrete waste recovered.	new measure*	≥1,250 tonnes	540 tonnes	NA
	Increasing number of tonnes per annum of recycled material recovered.	3,893 (target 4,690 tonnes)	≥4,475 tonnes	3,351 tonnes	NA
<b>Minimise impact on environment</b>					
	No resource consent abatement notices, infringement notices, enforcement orders or convictions.	not achieved	achieved	not achieved	NA
	Reduce the amount of rubbish/waste that is collected from kerbside collection per household.	new measure*	≤ 336kg / household	not measured	NM

**Increasing number of tonnes per annum of green + wood waste recovered:** Finished the year slightly behind target because it appears from anecdotal evidence that there has been a larger uptake of private kerbside green waste collection.

**Increasing number of tonnes per annum of concrete waste recovered:** Majority of material appears to be going to cleanfills instead of being recovered.

**Increasing number of tonnes per annum of recycled material recovered:** This does not include 500 tonnes (approx.) from private companies collecting domestic recycling. The tonnes collected are expected to increase once the new recycling services are in place from 31st October 2016.

**No resource consent abatement notices, infringement notices, enforcement orders or convictions:** An abatement notice was served on the landfill in Feb 2015 due to the capacity of the leachate line, and remains in place until as such a time that the notice is requested to be removed or the landfill closed. An abatement notice was served on the old landfill in June 2016 due to contamination being identified and staff are actively looking to pinpoint the source of contamination.

**Reduce the amount of rubbish/waste that is collected from kerbside collection per household:** This KPI was not measured this financial year because our current collection method doesn't weigh rubbish and waste when it is picked up from the kerbside. This will be measured from 31st October 2016 with the new kerbside bin service.

# Water supplies


Delivering our services



**275L**



average consumption  
of drinking water  
per day per resident



## What we do

The water supplies activity comprises the provision of potable water to three urban supply areas, five rural residential supply areas and two farming supply areas.

## Why we do it

To provide cost-effective, constant, adequate, sustainable and high quality supply of water.

## What it cost us

WATER SUPPLIES	Long-term Plan 2014/15 \$000	Long-term Plan 2015/16 \$000	Actual 2015/16 \$000
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, uniform annual charges, rates penalties	-		-
Targeted Rates	6,870	8,290	7,858
Subsidies and grants for operating purposes	-	-	-
Fees and charges	214	6	5
Internal charges and overhead recovered	-	423	417
Local Authorities, fuel tax, fines, infringements fees and other receipts	-	283	349
<b>Total operating funding (A)</b>	<b>7,084</b>	<b>9,002</b>	<b>8,629</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments to staff and suppliers	4,504	2,314	4,346
Finance Cost	360	562	505
Internal charges and overheads applied	1,576	4,244	2,045
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>6,440</b>	<b>7,120</b>	<b>6,896</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>644</b>	<b>1,882</b>	<b>1,733</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	47	-	2
Development and financial contributions	-	-	1
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>47</b>	<b>-</b>	<b>3</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure			
- to meet additional demand	485	-	
- to improve the level of service	-	1,414	1,980
- to replace existing assets	2,491	1,656	1,175
Increase (decrease) in reserves	-	(1,188)	(1,419)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2,976</b>	<b>1,882</b>	<b>1,736</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,929)</b>	<b>(1,882)</b>	<b>(1,733)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>(2,285)</b>	<b>-</b>	<b>-</b>

Due to changes in composition of groups of activities since the adoption of the LTP 2012-22, Council has used figures provided for in the LTP 2015-25 for the 2014-15 comparative year figures



# Performance measures

Key: **A** Achieved **NA** Not Achieved **NM** Not Measured

	IN 2014/15 THIS WAS	2015/16 TARGET	2015/16 ACTUAL	STATUS
<b>Safety of drinking water</b>				
 <p>Compliance with:</p> <ul style="list-style-type: none"> <li>part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>part 5 of the drinking-water standards (protozoal compliance criteria)</li> </ul>	<p><b>Bacterial compliance</b></p> <p>Mamaku - No Other areas - Yes</p> <p><b>Protozoal compliance</b></p> <p>Central - No Mamaku - No Other areas - Yes</p>	Achieved for all supplies	<p><b>Bacterial Compliance</b></p> <p>Mamaku - No Hamurana - No Kaharoa - No Other 7 supplies - Yes</p> <p><b>Protozoal Compliance</b></p> <p>Central - No Mamaku - No Hamurana - No Kaharoa - No Other 6 supplies - Yes</p>	NA
<b>Maintenance of the reticulation network</b>				
 <p>The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).</p>	<p>20% Urban 23% Rural</p>	≤ 25%	<p>24.7% urban 25.5% rural</p>	NA
<b>Fault response times</b>				
<p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site</p>	55 minutes	≤ 60 minutes	39 minutes	A
 <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</p>	175 minutes	≤ 240 minutes	107 minutes	A
<p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.</p>	4 hours 47 minutes	≤ 1 day	2 hours 50 minutes	A
<p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</p>	21 hours 7 minutes	≤ 3 days	20 hours 40 minutes	A
<b>Demand management</b>				
 <p>The average consumption of drinking water per day per resident within the territorial authority district.</p>	301 litres per person per day	≤ 320 litres per person per day	275 litres per person per day	A
<b>Customer satisfaction</b>				
 <p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> <li>drinking water clarity</li> <li>drinking water taste</li> <li>drinking water odour</li> <li>drinking water pressure or flow</li> <li>continuity of supply, and</li> <li>the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.</li> </ul>	<p>7 clarity 11 taste 5 odour</p> <p>51 pressure 108 flow continuity complaints</p> <p>Total = 7.3 / 1000 connections</p>	≤ 10 / 1000 connections	<p>5 clarity 9 taste 3 odour</p> <p>43 pressure 129 flow continuity complaints</p> <p>Total = 7.8 / 1000 connections</p>	A

**Compliance with: part 4 of the drinking-water standards (bacteria compliance criteria), and part 5 of the drinking-water standards (protozoal compliance criteria):**

All actual water supplied is fully compliant with the Drinking Water Standards for NZ.

Mamaku treatment plant bacterial compliance was not achieved. To demonstrate bacterial compliance and verify that chlorine treatment is occurring, 156 manual chlorine samples needed to be taken throughout the year of which only 151 samples were taken. All 151 samples taken confirmed that chlorine treatment is occurring, however, because five samples were not taken, this is still recorded as non-compliant.

Mamaku protozoal compliance was not achieved. To achieve Protozoal compliance, the water either needs to be secure from outside contamination or undergo an additional treatment process. Work has been undertaken through the year to gain secure water status for both bores at Mamaku. These bores have now been issued with a "provisional secure" status and will require the completion of one year's clear sampling to demonstrate full protozoal compliance.

Central treatment plant (city supply excluding eastern suburbs and Ngongotaha) has been compliant for protozoa from 1st October 2015 but is still required to be noted as not achieved until a full year of compliance from 1st July 2016 is maintained.

On 19 January, storms caused power outages at the Hamurana /Kaharoa pump station and at the same time surface water entered the spring, causing an increase in turbidity. The power outages meant that the operators did not respond to the turbidity alarms by taking the required extra samples to prove compliance. Drainage improvements have been completed to ensure this cannot occur again. Monthly compliance has been demonstrated since then, but we require a full year of compliant records to achieve official compliance.

**The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this):** Measurement based on Water NZ water loss benchmarking methodology - Current Annual Real Losses. This measure fluctuates year on year although over the past financial year there was one large leak that was discovered and subsequently fixed in the Eastern area which would have contributed to the overall increase in the urban area. There was no particular rural area that had any major leaks during the financial year. Work will continue on identifying and rectifying losses in order to reverse the increasing trend from the previous year.

**Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site:** Target met.

**Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption:** Target met.

**Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site:** Target met.

**Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption:** Target met.

**The average consumption of drinking water per day per resident within the territorial authority district:** Figures based on domestic residential consumption using a sample of residential water meters which have been installed. The rolling annual average consumption reduced in the latest quarters because water consumption during these periods was at a lower rate than the corresponding periods of 2015.

**The total number of complaints received by the local authority about any of the following: drinking water clarity; drinking water taste; drinking water odour; drinking water pressure or flow; continuity of supply, and; the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system:** 189 complaints from 24,223 connected properties.





section

03

# Financial statements

**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua









# Financial statements

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# Financial statements

## Statement of compliance

The Council of Rotorua District Council hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.



**Steve Chadwick**  
Mayor  
26 October 2016



**G. Williams**  
Chief Executive  
26 October 2016

# Statement of comprehensive revenue and expense

for the year ended 30 June 2016

	Notes	Council			Group	
		2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
<b>Revenue</b>						
Rates, excluding targeted water supply rates	2	80,258	79,381	73,442	80,159	73,363
Development and financial contributions	5	133	0	364	133	364
Subsidies and grants	3	7,045	9,962	6,140	7,213	6,236
Interest revenue	4	171	50	135	156	140
Other revenue	6	22,939	19,996	21,793	24,322	23,874
Gains	7	817	-	801	838	801
<b>Total Revenue</b>	7(b)	<b>111,363</b>	<b>109,389</b>	<b>102,675</b>	<b>112,821</b>	<b>104,778</b>
<b>Expenses</b>						
Personnel costs	8	27,490	26,784	33,122	36,292	34,317
Depreciation and amortisation expense	19	25,057	25,023	26,448	26,500	26,653
Finance costs	4	8,322	8,293	8,826	8,325	8,826
Loss on disposal/impairment of plant, property & equipment	9	3,872	-	9,211	4,369	9,211
Other expenses	9	51,012	48,509	41,054	41,816	41,722
<b>Total expenses</b>		<b>115,753</b>	<b>108,610</b>	<b>118,661</b>	<b>117,302</b>	<b>120,729</b>
Share of associate's surplus/(deficit)		-	-	-	-	-
<b>Surplus/(deficit) before tax</b>		<b>(4,390)</b>	<b>779</b>	<b>(15,986)</b>	<b>(4,481)</b>	<b>(15,951)</b>
Income tax expense	10	-	-	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>(4,390)</b>	<b>779</b>	<b>(15,986)</b>	<b>(4,481)</b>	<b>(15,951)</b>
<b>Other comprehensive revenue and expense</b>						
Items that could be reclassified to surplus(deficit):						
Net change in fair value of hedges	25	(198)	-	(453)	(198)	(453)
Net change in fair value of investment	25	(48)	-	78	44	43
Items that will not be reclassified to surplus(deficit):						
Revaluation on property, plant & equipment	25	484	24,123	17,404	484	17,404
Revaluation on Intangibles	25	598	-	170	598	170
<b>Total other comprehensive revenue and expense</b>		<b>836</b>	<b>24,123</b>	<b>17,199</b>	<b>928</b>	<b>17,164</b>
<b>Total comprehensive revenue and expense</b>		<b>(3,554)</b>	<b>24,902</b>	<b>1,213</b>	<b>(3,553)</b>	<b>1,213</b>





## Statement of changes in equity

for the year ended 30 June 2016

	Notes	Council			Group	
		2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
<b>Balance as at 1 July</b>	25	978,750	970,225	977,537	978,750	977,537
Total comprehensive revenue and expense for the year		(4,390)	24,902	(15,986)	(4,481)	(15,951)
Other comprehensive income		836	-	17,199	928	17,164
<b>Balance as 30 June</b>	25	975,196	995,127	978,750	975,197	978,750

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

# Statement of financial position

as at 30 June 2016

	Notes	Council			Group	
		2016 actual	2016 budget	2015 actual	2016 actual	2015 actual
		\$000	\$000	\$000	\$000	\$000
<b>Assets</b>						
<b>Current assets</b>						
Cash & cash equivalents	11	8,887	1,000	5,901	9,523	7,561
Debtors & other receivables	12	11,106	8,769	8,777	11,520	8,988
Inventory	15	473	1,328	1,214	1,337	1,214
Non-current assets held for sale	16	1,046	-	47,077	1,046	33
Provision for taxation	10	-	-	-	-	49
<b>Total current assets</b>		21,512	11,097	62,969	23,426	17,845
<b>Non-current assets</b>						
Loans & receivables	12	16,248	-	256	248	256
Property, plant and equipment	17	1,090,278	1,133,225	1,100,738	1,138,990	1,148,657
Intangible assets	18	4,618	2,559	3,834	4,675	3,884
Derivative financial instruments	13	-	-	-	-	-
Other financial assets						
- Investment in CCOs and other similar entities	14	31,769	31,470	1,960	66	96
- Investment in other entities	14	1,985	-	1,242	1,985	1,242
<b>Total non-current assets</b>		1,144,898	1,167,254	1,108,030	1,145,964	1,154,135
<b>Total assets</b>		1,166,410	1,178,351	1,170,999	1,169,390	1,171,980
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables and deferred revenue	21	20,922	17,027	16,893	21,210	17,817
Provisions	24	389	672	455	507	455
Employee entitlements	23	3,428	6,121	5,207	4,463	5,264
Borrowings and other financial liabilities	22	25,400	36,150	47,500	26,904	47,500
Derivative financial instruments	13	-	-	-	-	-
<b>Total current liabilities</b>		50,139	59,970	70,055	53,084	71,036
<b>Non-current liabilities</b>						
Provisions	24	1,879	2,075	1,803	1,879	1,803
Employee Entitlements	23	105	254	198	105	198
Borrowings and other financial liabilities	22	138,700	120,925	120,000	138,735	120,000
Derivative financial instruments	13	390	-	193	390	193
<b>Total non-current liabilities</b>		141,074	123,254	122,194	141,109	122,194
<b>Total liabilities</b>		191,214	183,224	192,249	194,193	193,230
<b>Net assets (assets minus liabilities)</b>		975,196	995,127	978,750	975,197	978,750
<b>Equity</b>						
Accumulated funds	25	723,323	733,757	729,554	723,324	729,646
Reserves	25	251,873	261,371.00	249,196	251,873	249,104
<b>Total equity</b>		975,196	995,127	978,750	975,197	978,750

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

# Statement of cash flows

for the year ended 30 June 2016

	Notes	Council			Group	
		2016 actual	2016 budget	2015 actual	2016 actual	2015 actual
		\$000	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>						
Receipts from rates revenue		79,918	79,381	73,268	79,819	73,189
Interest received		171	50	135	154	160
Dividends received		443	-	-	-	-
Receipts from other revenue		29,303	29,957	27,290	31,240	29,389
Payments to suppliers		(49,389)	(47,953)	(42,532)	(41,797)	(42,529)
Payments to employees		(28,534)	(26,784)	(35,105)	(37,186)	(36,021)
Interest paid		(8,792)	(8,293)	(9,277)	(8,715)	(9,277)
Income tax paid/refunded		-	-	-	49	2
Goods and Services Tax (net)		(1,360)	-	280	(1,301)	259
<b>Net cash from operating activities</b>	26	21,760	26,358	14,059	22,263	15,171
<b>Cash flows from investing activities</b>						
Receipts from sale of property, plant and equipment		4,588	1,000	3,866	1,301	3,866
Purchase of property, plant and equipment		(18,273)	(34,358)	(15,825)	(18,458)	(15,990)
Purchase of intangible assets		(570)	-	(201)	(584)	(233)
Purchase of financial assets		(1,119)	-	(152)	(699)	(152)
<b>Net cash from investing activities</b>		(15,374)	(33,358)	(12,312)	(18,440)	(12,509)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		30,000	7,000	13,825	31,539	13,900
Repayment of borrowings		(33,400)	0	(15,000)	(33,400)	(15,000)
<b>Net cash from financing activities</b>		(3,400)	7,000	(1,175)	(1,861)	(1,100)
<b>Net (decrease)/increase in cash, cash equivalents</b>		2,986	-	572	1,962	1,562
Cash, cash equivalents at the beginning of the year		5,901	1,000	5,329	7,561	5,998
<b>Cash, cash equivalents at year end</b>	11	8,887	1,000	5,901	9,523	7,561

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







# 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 domiciled 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), Grow Rotorua Limited (100% owned), Rotorua Contracting 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 financial reporting purposes.

The financial statements of Rotorua District Council are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on 26 October 2016.

### Basis of preparation

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

### Statement of Compliance

The financial statements of Rotorua District Council and Group have been prepared in accordance with the requirements of the LGA, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements 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 has been one change to accounting policies during the financial year. The depreciation policy has been updated to reflect that the library book collection assets will no longer be depreciated with the annual renewal expense on library books will now be treated as an operating cost.

### Standards issued and not yet effective and not early adopted

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning or after 1 April 2015. The Council has applied these updated standards in preparing its 30 June 2016 financial statements. There have been minimal or no change in the application of these updated accounting standards.

### Significant Accounting Policies

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of Rotorua District Council and its controlled entities and are prepared by adding together like items of assets, liabilities, equity, and revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses unrealised gains and losses are eliminated in full on consolidation

#### Controlled entities

Rotorua District Council consolidates as subsidiaries in the group financial statements all controlled entities where Rotorua District Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Rotorua District Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined as being unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Controlled entities are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

Investments in any controlled entity held by council are accounted for at cost, less any impairment charges, in the separate financial statements.

The council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the council. If the consideration transferred is lower than the net fair value of the council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

At the end of each reporting period the council assesses whether there are any indications that the carrying value of the investment in controlled entities may be impaired. Where such indications exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

### **Non-controlled entities**

The council accounts for investments in associates using the equity method. A non-controlled entity is an entity over which the council has a non-controlling interest and may have significant influence, and that entity is neither a controlled entity (subsidiary) nor an interest in a joint venture. The investment in the associate is initially recognised at cost and the carrying amount in the group's financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate, after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the relevant associate.

Dilutions, gains or losses arising from investments in associates are recognised in the surplus or deficit.

Investments in associates is carried at cost in the council's parent entity financial statements.

### **Non-controlled entities (Joint Venture)**

A joint venture is a binding contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled entities, the council and group recognise in its financial statements share of interest in the assets it controls, liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture using the proportionate consolidation method.

### **Revenue**

Revenue is measured at the fair value of consideration received or receivable to the extent that it is probable that economic benefits or service potential will flow to the group and the revenue can be reliably measured.

### **Rates revenue**

Rates are set annually by a resolution of Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when the council has struck the rate and that rate becomes payable.

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements as Rotorua District Council is acting as an agent for BOPRC.

## **Development and financial contributions**

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

## **New Zealand Transport Agency roading subsidies**

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the cost of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

## **Other grants received**

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

## **Building and resource consent revenue**

Fees and charges for building resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

## **Entrance fees**

Entrance fees are fees charged to users of the Council's local facilities such as the pools and museum. Revenue from entrance fees is recognised upon entry to such facilities.

## **Landfill fees**

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

## **Provision of commercially based services**

Revenue derived through the provision of services to third parties in commercial manner is recognised in proportion to the stage of completion at balance date.

## **Sale of goods**

Sales of goods are recognised when a product is sold to the customer.

## **Infringement fees and fines**

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

## **Vested or donated physical assets**

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

## **Donated and bequeathed financial assets**

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

## **Interest and dividends**

Interest revenue is recognised using the effective interest method. Interest on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established.

## **Construction contracts**

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to the balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated as the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profit less losses, net amounts are presented as a liability.

### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **Grant expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the council has no obligation to award on receipt of the grant application, and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

### **Foreign currency transactions**

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit in the period they arise.

### **Income Tax**

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to revenue tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) enacted or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue or directly in equity.

### **Leases**

#### **Finance leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

#### **Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense in surplus or deficit on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.



## Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

## Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The council and group designates certain derivatives as either:

- Hedges of the fair value of recognised assets (when values are positive) or liabilities (when values are negative) or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cashflow hedge).

The council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining item of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

## Fair value hedge

A fair value hedge manages the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment that could affect surplus or deficit.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised directly in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest borrowings.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recognised immediately as surplus or deficit over the period to maturity.

## Cash flow hedge

Cash flow hedges manage the exposure to the variability in cash flow that is attributed either to a particular recognised asset or liability, or highly probable forecast transaction or foreign currency risk.

The portion of gain or loss on an effective portion of derivatives designated of a cash flow hedging instrument determined to be an effective hedge, is recognised directly in other comprehensive revenue and expenses and accumulated in cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "gains" or "finance costs".

If a hedge of a forecast transaction subsequently results in recognition of a financial asset or a financial liability, associated gains or losses that were recognised directly in other comprehensive revenue will be reclassified into the surplus deficit in the same period or periods during which the asset acquired, or liability assumed, affects surplus or deficit. However, if it is expected that all, or a portion, of a loss recognised directly in other comprehensive revenue will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in other comprehensive revenue will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognised directly in other comprehensive revenue from the period when the hedge was effective, will remain separately recognised in other comprehensive revenue until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from other comprehensive revenue to the surplus or deficit.

## Other Financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus deficit, in which case the transaction costs are recognised in the surplus deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council and group commits to purchase or sell the asset. Financial assets are 'derecognised' when the rights to receive cash flows from the financial assets have expired or have been transferred, and the council and group has substantially transferred all the risks and rewards of ownership.

Financial assets are classified into four categories:

- financial assets at fair value through surplus or deficit;
- loans and receivables;
- held to maturity investments; and
- fair value through other comprehensive revenue.

Classification depends on the purpose for which the investments were acquired.

Management determines classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

### Financial assets at fair value through surplus or deficit:

Financial Assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or as part of a portfolio classified as held for trading, are classified as current assets. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values, with gains or losses on re-measurement recognised in the surplus or deficit.

### Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date which are included in non-current assets.

After initial recognition they are subsequently measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or 'derecognised' are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of a loan is recognised in the surplus deficit as a grant.

### Held to maturity investments:

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are subsequently measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### Financial assets at fair value through other comprehensive revenue and expense:

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months the balance date. The council and group includes the following in this category:

- Investments that Council intends to hold long-term but which may be realised before maturity in response to needs for liquidity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised directly in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On 'derecognition' the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to surplus or deficit.

## **Impairment of financial assets**

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

### **Loans and other receivables, and held to maturity investments:**

Impairment is established when there is objective evidence that the council and group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). Impairment in term deposits, local authority stock, government stock and community loans, are recognised directly against the instruments carrying amount.

### **Available for sale assets:**

For available for sale assets, a significant or prolonged decline in the fair value of the investment, below its cost, is considered objective evidence of impairment.

For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments, are considered objective indicators that the asset is impaired.

If impairment evidence exists for an available for sale asset, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus (or deficit) and recognised in other comprehensive revenue and expenses, is reclassified from net assets/equity to surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit; increases in their fair value after impairment are recognised in other comprehensive revenue and expense

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## **Inventories**

Inventory is measured at cost upon initial recognition.

Inventory acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the average cost method.

The amount of any write-down for the loss of service potential from cost to net realisable value is recognised in the surplus or deficit in the period of the write down.

### **Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increase in fair value (less costs to sell), are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

### **Property, plant and equipment**

Property, plant and equipment consist of;

Operational assets – These include land, buildings, landfill post-closure, library books, plant and equipment, recreational forests and motor vehicles.

Restricted assets - Restricted assets are parks and reserves owned by the council and group which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by Council and group. Each class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is measured at initial cost directly attributable to acquisition of the items or valuation, less accumulated depreciation and impairment losses.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at fair value.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at fair value.

**Revaluations:**

Land and buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued at fair value with sufficient regularity to ensure that their carrying amount does not differ materially from fair value, and at least every three years. The value of recreational forests is at deemed cost. All other assets are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, the off-cycle assets are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to an asset revaluation reserve in equity for that class of asset. Where this result is a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue.

The value of land and buildings is their market value as determined by a registered valuer.

**Additions:**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

**Disposals:**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset or when no further economic benefits or service potential are expected. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

**Depreciation:**

Depreciation is provided on all fixed assets with certain exceptions. The exceptions are:

- Land is not depreciated.
- Library books are not depreciated
- Roading, wastewater reticulation, stormwater systems and water reticulation assets are depreciated as noted below. A number of the components of the roading network, such as excavation, sub-base materials and compaction, are not depreciated as these assets have an infinite life. Stormwater channels are also considered to have an infinite life and are not depreciated. Signs and markings are not depreciated as these assets are maintained to the same level.
- The useful lives of Rotorua Museum collections and the library reference collection are considered to be extremely long (with potential for appreciation of value). Therefore, due to its insignificance, no depreciation has been brought to charge.

All other assets are depreciated on a 'straight-line' basis at rates that will write off their cost or valuation over their expected useful economic lives.

Vehicles are depreciated on the basis of diminishing value and at a rate of 20% calculated to allocate motor vehicles' cost over their estimated useful lives.

The expected lives of major classes of assets are:

Buildings	
Structure	10 to 80 years
Services	20 to 50 years
Fit-out	5 to 40 years
Site specific	2 to 20 years
Plant and equipment	
Parks & Reserves	5 to 100 years
Sewage	
Treatment plants and facilities	5 to 100 years
Wastewater and reticulation (other assets)	10 to 140 years
Water	
Treatment plants and facilities	5 to 100 years
Water and reticulation (other assets)	10 to 130 years
Stormwater drainage	10 to 130 years



## Roads and footpaths

Seal - First coat and base	80 years
Seal - second coat	12 years
Footpaths (concrete)	100 years
Footpaths (bitumen)	7 to 20 years
Bridges	40 to 100 years

Landfill improvements 3 to 100 years

Computer Systems 3 to 7 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### Subsequent costs:

Costs subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the assessed useful economic life or pattern of consumption. The amortisation expense is recognised in the surplus or deficit as an expense category consistent with the function of the intangible asset.

Impairment losses are recognised immediately in surplus or deficit.

### Goodwill:

Goodwill on acquisition of businesses and controlled entities (subsidiaries) is included in 'intangible assets'. Goodwill on acquisition of associates is included in 'investments in associates' and is tested for impairment as part of the overall investment balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses relating to goodwill cannot be reversed in future periods.

### Software acquisition and development:

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of Council's website are recognised as expenses when incurred.

### Carbon Credits:

Purchased carbon credits are recognised initially at cost on acquisition. They are not amortised, but are instead tested for impairment annually, and otherwise revalued to fair value annually. They are 'derecognised' when they are used to satisfy carbon emission obligations.

### Amortisation:

The carrying value of an intangible asset with a finite life is amortised on a 'straight-line basis' over its useful life. Amortisation begins when the asset is available for use, and ceases at the date that the asset is 'derecognised'. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3-7 years	14-33%
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### Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

### **Value in use for cash-generating assets**

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### **Recreation Forestry assets**

Standing forestry assets are held for the prime purpose of recreation at deemed cost.

Council may from time to time harvest minor portions of a forest. At the time of sale a proportion of deemed cost of area of forest evidenced within a felling plan is offset against proceeds and felling costs at the time. The net value is recognised in surplus or deficit.

Recreational forest assets not managed for harvesting into agricultural produce, or being transformed into additional biological assets are reported as property, plant and equipment in accordance with the policies for property, plant and equipment.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred, and excludes costs of day-to-day maintenance.

After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property, through valuation or retirement, are recognised in the surplus or deficit.

### **Creditors and other payables**

Short-term creditors and other payables are recorded at their face value.

### **Borrowings**

Borrowings are initially recognised at their fair value, net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council or the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

### **Employee entitlements**

#### **Short-term employee entitlements:**

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken, at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earning in the coming year. The amount of sick leave is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense for bonuses is recognised where council is contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Long-term employee entitlements:**

Entitlements that are payable beyond 12 months, after the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

#### **Presentation of employee entitlements:**

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

The expense relating to these provisions is presented in the statement of financial performance net of any reimbursement.

## Superannuation schemes

### Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

### Defined benefit schemes:

The council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the scheme, to the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

### Provisions

The council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

### ACC Accredited Employers Programme

The Council belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby the Council accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Council is liable for all its claims costs for a period, the Council pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Accredited Employers Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to the balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

## Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to a related party, its fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee of the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

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

### Net assets/equity

Net assets/equity is the community's interest in the Rotorua District Council and is measured as the difference between total assets and total liabilities. Net Assets/Equity is disaggregated and classified into a number of components.

The components of Net assets/equity are:

- Accumulated comprehensive revenue and expense
- Reserves

### Reserves

#### Restricted reserves:

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves are those subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Also included in restricted reserves are reserves restricted by council decision. The council may alter them without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of the council.

The council's objectives, policies and processes for managing capital are described in note 34.

**Asset revaluation reserve:**

This reserve relates to the revaluation of property, plant and equipment to fair value.

**Available for sale reserve:**

This reserve comprises the cumulative net change in the fair value of available for sale financial assets.

**Cash flow hedge reserve:**

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

**Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are stated on a GST-inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense. Net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. Net GST paid to, or received from, the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

**Budget figures**

The budget figures are approved by the Council in the Long Term Plan 2015-25. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing the financial statements.

**Cost allocation**

Rotorua District Council has derived the cost of service for each significant activity of council using the cost allocation system outlined below.

**Direct costs:**

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

**Indirect costs:**

Indirect costs relate to the overall costs of running the organisation and include staff time office space and information technology costs. Indirect costs are allocated as overheads across all activities utilising an appropriate driver.

**Critical accounting estimates and assumptions**

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment are discussed below:

Note 24 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

**Infrastructural assets**

Note 17 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

**Critical judgements in applying accounting policies**

Management has exercised the following critical judgements in applying Rotorua District Council's accounting policies for the period ended 30 June 2016:

**Classification of property**

The council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the council's social housing policy. These properties are held as property, plant and equipment.

**Accounting for suspensory loan from Housing New Zealand**

The Council's view is the suspensory loan from Housing New Zealand is in substance a grant with conditions attached and is therefore accounted for under PBE IPSAS 23 Revenue from Non exchange transactions.

The Council considers there are two possible accounting treatments for the grant under PBE IPSAS 23; either recognising the grant evenly over the 20-year condition period, or recognising the grant as revenue at the end of the conditions in 2025.

As the suspensory loan in totality would be repayable, should any of the conditions not be met during the condition period to 2025, the Council believes it prudent, and has therefore elected, to recognise the grant at the end of the 20-year period.

Further information about the suspensory loan is included in the revenue accounting policy and note 28.



**Accounting for donated or vested land and buildings with use or return conditions.**

The Council has received land and buildings from non-exchange transactions that contain use or return conditions.

If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received.

The Council considers an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached..

**Rounding**

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

## 2: Rates, excluding targeted water supply rates

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
General rates	48,884	47,477	48,884	47,438
Targeted rates attributable to activities:				
- water, excluding water supply rates	4,223	3,833	4,223	3,833
- sewerage	13,304	11,558	13,205	11,548
- refuse and sanitation	4,130	2,312	4,130	2,311
- lakes enhancement rate	455	452	455	452
- eastern sewerage capital rates	653	636	653	636
- business development targeted rates	5,601	5,581	5,601	5,559
- urban sewerage develop. rate	61	61	61	61
- lakes community board rate	53	53	53	53
Rates penalties	1,124	1,088	1,124	1,088
Less rates charges to Council properties	(1,851)	(3,020)	(1,851)	(3,020)
<b>Total rates, excluding targeting water supply rates</b>	<b>76,637</b>	<b>70,031</b>	<b>76,538</b>	<b>69,959</b>

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates revenue of the Council for the year ended 30 June 2016 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Rates, excluding targeted water supply rates	76,637	70,031	76,538	69,959
Targeted water supply rates	3,926	3,655	3,926	3,648
Less targeted water supply rates charges to Council properties	(305)	(244)	(305)	(244)
<b>Total annual rates income</b>	<b>80,258</b>	<b>73,442</b>	<b>80,159</b>	<b>73,363</b>

## Rates remissions

Rates revenue is shown net of rates remissions. The Council's rates remission policy allows rates to be remitted on condition of a ratepayer's extreme financial hardship, land used for sport, and land protected for historical or cultural purposes.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Total gross rates, excluding targeted water supply rates	77,758	70,857	77,659	70,857
Rates remissions:				
- General rates remissions	831	565	831	565
- Targeted rates remissions	261	192	261	192
- Penalty remissions	29	69	29	69
Total remissions	1,121	826	1,121	826
<b>Rates (net of remissions), excluding targeted water supply rates</b>	<b>76,637</b>	<b>70,031</b>	<b>76,538</b>	<b>70,031</b>

## Non-rateable land

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens, and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse, and sanitation. The non-rating of non-rateable land does not constitute a remission under the Council's rates remission policy.

## Rating base information

The number of rating units within the district or region of Rotorua District Council at 30 June 2015 was 29,836 (2014: 29,866).

The total capital value of rating units within the district or region of Rotorua District Council at 30 June 2015 was \$12,875,264,100 (2014: \$12,850,749,050).

The total land value of rating units within the district or region of Rotorua District Council at 30 June 2015 was \$6,341,706,000 (2014: \$6,468,680,250).

## 3: Subsidies and grants

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
New Zealand Transport Rooding subsidies	5,081	4,946	5,081	4,946
Grants subsidies and donations capital	1,227	637	1,395	732
Other subsidies operating	737	558	737	558
<b>Total subsidies and grants</b>	<b>7,045</b>	<b>6,140</b>	<b>7,213</b>	<b>6,236</b>

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2015: \$Nil).

## 4: Finance revenue and costs

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Finance income</b>				
Interest income				
- term and call deposits	171	135	156	140
<b>Total finance income</b>	<b>171</b>	<b>135</b>	<b>156</b>	<b>140</b>
<b>Finance costs</b>				
Interest expense				
- interest on bank borrowings	8,245	9,091	8,248	9,091
- discount unwind on provisions (note 24)	77	(265)	77	(265)
<b>Total finance cost</b>	<b>8,322</b>	<b>8,826</b>	<b>8,325</b>	<b>8,826</b>
<b>Net finance costs</b>	<b>8,151</b>	<b>8,691</b>	<b>8,169</b>	<b>8,686</b>

## 5: Development and financial contributions

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Development contributions	-	55	-	55
Financial contributions from subdivisions	133	309	133	309
<b>Total development and financial contributions</b>	<b>133</b>	<b>364</b>	<b>133</b>	<b>364</b>



## 6: Other revenue

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Traffic and parking infringements	1,336	1,616	1,336	1,616
Rendering of services (other trading revenue)	11,678	11,374	13,766	13,422
Petrol tax	524	512	524	512
Vested assets	34	104	34	104
Assets recognised for the first time	-	669	-	669
Dividend income	443	1	0	1
Insurance recoveries	41	19	41	19
Fees and charges	4,925	3,797	4,663	3,797
Lease and rental revenue	3,946	3,695	3,946	3,695
Other revenue	12	6	12	39
<b>Total other revenue</b>	<b>22,939</b>	<b>21,793</b>	<b>24,322</b>	<b>23,874</b>

## 7: Gains

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Non-financial instruments</b>				
Property, plant and equipment gains on disposal	817	801	838	801
<b>Total non-financial instrument gains</b>	<b>817</b>	<b>801</b>	<b>838</b>	<b>801</b>

## 7(b): Total revenue

Total revenue comprise:

Revenue from non-exchange transactions - this includes rates, direct charges - subsidised, fines, development/financial contributions, petrol tax	86,525	80,687	86,616	80,687
Revenue from exchange transactions - this includes admissions, trading revenue, direct charges - full cost recovery, rental revenue, commission received	24,838	21,988	26,205	24,091

## 8: Personnel costs

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Salaries and wages	26,207	32,031	35,009	33,226
Defined contribution plan employer contributions	971	1,091	971	1,091
Restructuring	312	0	312	0
<b>Total personnel costs</b>	<b>27,490</b>	<b>33,122</b>	<b>36,292</b>	<b>34,317</b>

Employer contributions to defined contribution plans include contributions to KiwiSaver and the Defined Benefit Plan (DBP) Contributors Scheme.

## 9: Other expenses

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Fees to auditors:				
- fees to Audit New Zealand for audit of the Council's financial statements	143	140	201	177
- fees to Audit New Zealand for other services	35	95	35	96
- fees to other auditors	-	-	-	-
Grants and contributions	1,603	1,509	903	699
Contractors and physical works	23,851	11,302	8,392	12,378
Insurance premiums	1,139	1,525	1,184	1,527
Consultants and legal advice	2,534	2,559	3,215	3,116
Marketing and promotion	1,243	3,029	1,271	3,057
Energy	3,309	3,610	3,309	3,610
ACC	191	19	191	19
Elected member remuneration (incl hearing fees)	709	726	709	726
Impairment of receivables	79	218	79	218
Losses on disposal of property, plant and equipment	2,472	7,671	2,496	7,671
Impairment of plant, property and equipment	1,400	1,540	1,873	1,540
Impairment of other financial assets	779	182	30	42
Impairment of plant, property & equipment re-classified as held for sale	-	298	-	298
Other expenditure	15,397	15,842	22,297	15,759
<b>Total other expenses</b>	<b>54,884</b>	<b>50,265</b>	<b>46,185</b>	<b>50,933</b>

The fees paid to Audit New Zealand for other services in the year ending 30 June 2015 was for the audit of the 2015-25 Long-term Plan.

The The fees paid to Audit New Zealand for other services in the year ending 30 June 2016 relate to the audit of the 2015-2025 Long-term Plan.

## 10: Tax

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Components of tax expense</b>				
Current tax expense	-	-	-	-
Adjustments to current tax in prior year	-	-	-	-
Deferred tax expense	-	-	-	-
Tax loss not previously recognised	-	-	-	-
<b>Tax expense</b>	-	-	-	-
<b>Relationship between tax expense and accounting profit</b>				
Net surplus before tax	(4,390)	(15,986)	(4,481)	(15,951)
Tax @ 28%	(1,229)	(4,476)	(1,254)	(4,466)
Plus/(less) tax effect of:				
Non-deductible expenditure	(1,061)	11,184	(1,048)	11,145
Tax loss not recognised	3,893	(4,037)	3,731	(4,013)
Deferred tax on temporary differences	(1,603)	(2,671)	(1,603)	(2,666)
Prior year adjustment	-	-	174	-
<b>Tax expense</b>	-	-	-	-

	Property, plant and equipment	Employee entitlements	Other provisions	Tax losses	Total
	\$000	\$000	\$000	\$000	\$000
<b>Deferred tax assets/(liabilities)</b>					
Balance at 30 June 2014	(4,274)	-	-	4,274	-
Charged to surplus or deficit	2,671	-	-	(2,671)	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2015	(1,603)	-	-	1,603	-
Charged to surplus or deficit	1,603	-	-	(1,603)	-
Charged to other comprehensive income	-	-	-	-	-
<b>Balance at 30 June 2016</b>	-	-	-	-	-

A deferred tax asset has not been recognised in relation to unused tax losses of \$26,185,065 to Council (2015: \$20,019,788), Group \$27,962,075 (2015: \$22,690,417). The Group has unrecognised temporary tax differences of \$669,000.

## 11: Cash and cash equivalents

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash at bank and on hand	8,887	5,901	9,523	7,561
<b>Total cash and cash equivalents</b>	<b>8,887</b>	<b>5,901</b>	<b>9,523</b>	<b>7,561</b>

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value. Cash, cash equivalents and bank overdrafts include the above for the purpose of the statement of cashflows.

## 12: Debtors and other receivables

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Current debtors and other receivables</b>				
Rates receivables	4,412	4,287	4,412	4,287
Other receivables	5,483	5,085	5,854	5,237
Prepayments	930	404	973	405
GST receivable	1,876	517	1,876	575
<b>Current gross debtors - other receivables</b>	<b>12,701</b>	<b>10,293</b>	<b>13,115</b>	<b>10,504</b>
Less: Provision for Impairment of receivables	(1,595)	(1,516)	(1,595)	-1,516
<b>Total current portion</b>	<b>11,106</b>	<b>8,777</b>	<b>11,520</b>	<b>8,988</b>
<b>Non-current portion debtors and other receivable</b>				
Other receivables	16,248	256	248	256
<b>Total non-current portion</b>	<b>16,248</b>	<b>256</b>	<b>248</b>	<b>256</b>
<b>Total receivables</b>	<b>27,354</b>	<b>9,033</b>	<b>11,768</b>	<b>9,244</b>

Total receivables comprise:

Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	5,882	4,483	5,882	4,782
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	21,474	4,550	5,886	4,462



## Fair Value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

## Impairment

When Council provides for impairment on rates receivables, it takes into account its various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then the Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

## Other receivables

The fair value of other receivables is \$16,219,000 (2015: \$256,147).

The ageing profile of receivables at year end is detailed below:

The status of receivables as at 30 June 2016 and 2015 are detailed below:	2016			2015		
	Gross \$000	Impairment \$000	Nett \$000	Gross \$000	Impairment \$000	Nett \$000
<b>Council</b>						
Not past due	23,521	(12)	23,509	4,823	-	4,823
Past due 1-60 days	1,731	(71)	1,659	1,979	(132)	1,847
Past due 61-120 days	162	(31)	131	66	(29)	37
Past due > 121 days	3,534	(1,480)	2,054	3,681	(1,355)	2,326
<b>Total</b>	<b>28,948</b>	<b>(1,594)</b>	<b>27,354</b>	<b>10,549</b>	<b>(1,516)</b>	<b>9,033</b>
<b>Group</b>						
Not past due	7,937	(12)	7,925	5,034	-	5,034
Past due 1-60 days	1,731	(72)	1,659	1,979	(132)	1,847
Past due 61-120 days	162	(31)	131	66	(29)	37
Past due > 121 days	3,534	(1,481)	2,053	3,681	(1,355)	2,326
<b>Total</b>	<b>13,364</b>	<b>(1,596)</b>	<b>11,768</b>	<b>10,760</b>	<b>(1,516)</b>	<b>9,244</b>

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Individual impairment	1,594	1,516	1,596	1,516
Collective impairment	-	-	-	-
<b>Total provision for impairment</b>	<b>1,594</b>	<b>1,516</b>	<b>1,596</b>	<b>1,516</b>

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not past due	12	-	12	-
Past due 1-60 days	71	132	73	132
Past due 61-120 days	31	29	31	29
Past due > 121 days	1,480	1,355	1,480	1,355
<b>Total individual impairment</b>	<b>1,594</b>	<b>1,516</b>	<b>1,596</b>	<b>1,516</b>

Movements in the provision for impairment of receivables are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
At 1 July	1,516	1,298	1,516	1,298
Additional provisions made during the year	616	577	617	577
Receivables written off during the period	(538)	(359)	(537)	(359)
<b>At 30 June</b>	<b>1,594</b>	<b>1,516</b>	<b>1,596</b>	<b>1,516</b>

The Council and group had no collateral as security or other credit enhancements over receivables that are either past due or impaired.

## 13: Derivative financial instruments

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Current asset portion</b>				
Interest rate swaps - cashflow hedges	-	-	-	-
Total current asset portion	-	-	-	-
<b>Non-current asset portion</b>				
Interest rate swaps - cashflow hedges	-	-	-	-
Total non-current asset portion	-	-	-	-
<b>Total derivative financial instruments assets</b>	-	-	-	-
<b>Current liability portion</b>				
Interest rate swaps - cashflow hedges	-	-	-	-
Total current liability portion	-	-	-	-
<b>Non-current liability portion</b>				
Interest rate swaps - cashflow hedges	390	193	390	193
Total non-current liability portion	390	193	390	193
<b>Total derivative financial instruments liabilities</b>	390	193	390	193

## Fair value

### Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cashflows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$10 million (2015: \$10 million) and for the group were \$10 million (2015: \$10 million). At 30 June 2016, the fixed interest rate of the cashflow hedge interest rate swap is 5.25% (2015: 5.25%).

Gains and losses recognised in the hedging reserve in equity (note 25) on interest rate swap contracts as at 30 June 2016 will be released to the surplus or deficit as interest is paid on the underlying debt.

The Council and group currently have no fair value hedges.

## 14: Other financial assets

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Non-current portion</b>				
Investment in CCOs and other similar entities				
Unlisted shares Rotorua Regional Airport Limited	29,965	1,740	(0)	-
Unlisted shares Waikato Local Authority Shared Services Ltd	58	86	58	86
Unlisted shares BOP Local Authority Shared Services Ltd	8	10	8	10
Unlisted shares Terax Limited Partnership	192	83	(0)	-
Unlisted shares in Rotorua Contracting Ltd	1,551	0	-	-
Unlisted shares Terax 2013 Ltd	(1)	(1)	(0)	-
Unlisted shares Grow Rotorua Ltd	(4)	42	0	-
	<b>31,769</b>	<b>1,960</b>	<b>66</b>	<b>96</b>
Investment in other entities				
Mountain Bike underwrite	150	150	150	150
Unlisted shares NZ Local Government Insurance Corporation Ltd (cost)	256	212	256	212
Borrower Notes	1,579	880	1,579	880
	<b>1,985</b>	<b>1,242</b>	<b>1,985</b>	<b>1,242</b>
<b>Total non-current portion</b>	<b>33,754</b>	<b>3,202</b>	<b>2,051</b>	<b>1,338</b>
<b>Total other financial assets</b>	<b>33,754</b>	<b>3,202</b>	<b>2,051</b>	<b>1,338</b>

## Fair value

### Term deposits

The carrying amount of term deposits approximates their fair value.

### Unlisted shares

The fair value of the unlisted shares of NZ Local Government Insurance Corporation Limited and of Local Authority Shared Services Limited (LASS) has been approximated by using the lower of cost or market value.

The Waikato LASS share investment comprises:

- 1 ordinary share
- 126,703 Shared Valuation Database shares
- 7,516 WRAP service shares, which are uncalled as at balance date

The service shares are non-voting and do not carry the right to share in any distributions of the company.

The BOP LASS share investment comprises 5 ordinary shares (2015: 5). The fair value of the BOP LASS, approximated using the net asset backing method, is \$8,471 (2015: \$10,335).



The cost price of the share investment in the subsidiary Rotorua Regional Airport Limited amounts to \$30,695,000. The recoverable amount is approximated by using the net asset backing method and amounts to \$29,964,972 (2015: \$1,740,083). The surplus for the year of \$23,578 (2015: \$50,026) is recognised in the Statement of comprehensive revenue and expense. The Council holds 28,645,000 ordinary shares. During the year Council and RRAL completed the sale and purchase of airport infrastructure assets. Council sold the assets to RRAL in exchange for the receipt of dividends of \$442,689 and the issuance of 28,644,000 ordinary RRAL shares.

The cost price of the share investment in the subsidiary Grow Rotorua Limited amounts to \$100. The recoverable amount is approximated by using the net asset backing method and amounts to -\$3,918 (2015: \$41,956). The deficit for the year of -\$45,874 (2015: \$15,082) is recognised in the Statement of comprehensive revenue and expense.

The cost price of the share investment in the subsidiary Rotorua Contracting Limited amounts to \$1,616,000. The recoverable amount is approximated by using the net asset backing method and amounts to \$1,551,000 (2015: no comparative as only created in 2016 year). The deficit for the year of -\$65,000 is recognised in the Statement of comprehensive revenue and expense. The Council holds 1,616,081 ordinary shares. The nature of business of is in constructing, maintaining and managing infrastructure and facility assets; providing high quality cost effective services for the Council in the following areas: three waters, city cleaning, refuse collection, parks operations, civil works, fleet management and the supply of nursery products.

The cost price of the share investment in the subsidiary Terax 2013 Limited amounts to \$300. The recoverable amount is approximated by using the net asset backing method and amounts to -\$1,308 (2015: -\$1,308). The nil result for the year (2015: \$nil) is recognised in the Statement of comprehensive revenue and expense. The cost price of the share investment in the subsidiary Terax Limited Partnership amounts to \$760,000. The recoverable amount is approximated by using the net asset backing method and amounts to \$191,644 (2015: \$83,207). The deficit for the year of -\$311,197 (2015: -\$140,275) is recognised in the Statement of comprehensive revenue and expense.

The Council has a 49% shareholding in Mountain Bike Events Limited. Council is also the 100% shareholder in one dormant non-operational company – Rotorua District Council Holdings Ltd.

## Impairment

A total impairment loss of \$779,000 (2015: \$181,535) has been recognised in the statement of comprehensive revenue and expense line item "other expenses" (note 9). This related to investment in CCOs and other similar entities.

## 15: Inventory

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Inventories held for distribution or consumption in provision of services	54	950	241	950
Inventories held for use in production of goods and services on a commercial basis	419	264	1,096	264
<b>Total inventories</b>	<b>473</b>	<b>1,214</b>	<b>1,337</b>	<b>1,214</b>
Water and sewerage reticulation spare parts	20	194	207	194
Street furniture	-	13	-	13
Nursery store	-	708	677	708
Vehicle workshop and fuel	-	8	-	8
Other inventories held for distribution	34	28	34	28
Museum retail stock	93	101	93	101
Rotorua i-Site	56	17	56	17
Solid waste refuse bags	89	102	89	102
Other commercial inventory	181	43	181	43
<b>Total inventories</b>	<b>473</b>	<b>1,214</b>	<b>1,337</b>	<b>1,214</b>

No inventories are pledged as security for liabilities (2015: \$Nil). However, some inventories are subject to retention of title clauses.

### Held for distribution inventory

The carrying amount of inventory held for distribution that is measured at current replacement cost as at 30 June 2015 amounted to \$Nil (2015: \$Nil).

The write-down of inventory held for distribution because of a loss in service potential amounted to \$Nil (2015: \$Nil). There have been no reversals of write-downs (2015: \$Nil).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

### Commercial inventory

The write-down of commercial inventory to net realisable value amounted to \$Nil (2015: \$Nil). There have been no reversals of write-downs (2015: \$Nil).

## 16: Non-current assets held for sale

As at 30 June 2016, Council had a number of properties surplus to requirements and held available for sale. The sale of these assets were expected to be concluded within twelve months from balance date.

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Non-current assets held for sale are:				
- buildings	176	10,555	176	33
- land and infrastructure	870	36,522	870	0
<b>Total non-current assets held for sale</b>	<b>1,046</b>	<b>47,077</b>	<b>1,046</b>	<b>33</b>

## 17: Property, plant and equipment – Council 2016

2016 Classification	Cost / revaluation 1/7/15	Accum depn & impairmnt charges 1/7/15	Carrying amount 1/7/15	Current year additions	Infrastructural Assets constructed by council	Infrastructural Assets transferred to council	Assets transferred to held for sale
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets							
Land	39,839	-	39,839	388	-	-	(560)
Buildings	125,940	(5,463)	120,477	2,358	-	-	(174)
Library books	5,004	(2,750)	2,254	-	-	-	-
Motor vehicles	8,495	(4,986)	3,509	-	-	-	-
Art collections	25,050	(52)	24,998	232	-	-	-
Plant and equipment	19,931	(13,524)	6,407	2,687	-	2	-
<b>Total operational assets</b>	<b>224,259</b>	<b>(26,775)</b>	<b>197,484</b>	<b>5,665</b>	<b>-</b>	<b>2</b>	<b>(734)</b>
Infrastructural assets							
Land	7,049	-	7,049	-	-	-	-
Parks and reserves	16,803	-	16,803	-	1,966	-	-
Recreational forests	1,888	-	1,888	-	-	-	-
Roading and footpaths	355,242	(20,846)	334,396	-	6,527	-	-
Sewerage							
- treatment plant and facilities	47,821	(6,401)	41,420	-	1,115	-	-
- other	153,381	(3,423)	149,958	-	2,245	33	-
Water							
- treatment plant and facilities	17,434	-	17,434	-	342	-	-
- other	95,686	(6)	95,680	-	2,675	-	-
Stormwater	104,121	(2,036)	101,885	-	677	-	-
Flood protection & control works	-	-	-	-	-	-	-
Land under roads	41,015	-	41,015	-	68	-	-
<b>Total infrastructural assets</b>	<b>840,440</b>	<b>(32,712)</b>	<b>807,528</b>	<b>-</b>	<b>15,615</b>	<b>33</b>	<b>-</b>
Restricted assets							
Airport	771	(107)	664	-	-	-	-
Land	82,437	-	82,437	-	-	-	-
Landfill	12,424	1	12,425	58	-	-	-
<b>Total restricted assets</b>	<b>95,632</b>	<b>(106)</b>	<b>95,526</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Council</b>	<b>1,160,331</b>	<b>(59,593)</b>	<b>1,100,538</b>	<b>5,723</b>	<b>15,615</b>	<b>35</b>	<b>(734)</b>

Other transfers	Current year disposals	Current year impairment charges	Current year dep'n	Reval Surplus	Other cost mvments	Dep'n writeback	Other dep'n mvments	Cost / revaluation 30/6/16	Accum dep'n & impairmnt changes 30/6/16	Carrying amount 30/6/16
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(1,209)	(1,238)	-	-	-	-	-	-	37,220	-	37,220
	(2,104)	-	(5,210)	-	-	715	-	126,020	(9,958)	116,062
-	-	-	(1)	-	-	-	-	5,004	(2,751)	2,253
-	(6,053)	-	(275)	-	-	3,641	-	2,442	(1,620)	822
	-	-	(15)	-	-	-	-	25,282	(67)	25,215
1,209	(159)	-	(1,641)	-	-	108	-	23,668	(15,057)	8,611
-	(9,554)	-	(7,142)	-	-	4,464	-	219,636	(29,453)	190,183
-	-	-	-	-	-	-	-	7,049	-	7,049
42	(75)	-	(1,392)	-	-	8	3	18,736	(1,381)	17,355
-	-	-	-	-	-	-	-	1,888	-	1,888
(42)	(1,405)	-	(6,056)	484	(26,882)	93	26,809	333,924	-	333,924
620	(4)	-	(2,435)	-	-	-	-	49,552	(8,836)	40,716
(419)	(263)	-	(2,400)	-	-	35	-	154,977	(5,788)	149,189
-	(20)	-	(397)	-	-	-	-	17,756	(397)	17,359
-	(86)	-	(2,302)	-	-	1	-	98,275	(2,307)	95,968
(201)	(255)	-	(2,083)	-	-	2	-	104,342	(4,117)	100,225
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	41,083	-	41,083
-	(2,108)	-	(17,065)	484	(26,882)	139	26,812	827,582	(22,826)	804,756
-	-	-	(80)	-	-	-	-	771	(187)	584
-	-	-	-	-	-	-	-	82,437	-	82,437
-	-	-	(165)	-	-	-	-	12,482	(164)	12,318
-	-	-	(245)	-	-	-	-	95,690	(351)	95,339
-	(11,662)	-	(24,452)	484	(26,882)	4,603	26,812	1,142,908	(52,630)	1,090,278



## 17: Property, plant and equipment – Group 2016

2016 Classification	Cost / revaluation 1/7/15	Accum depn & impairmnt charges 1/7/15	Carrying amount 1/7/15	Current year additions	Infrastructural Assets constructed by council	Infrastructural Assets transferred to council	Assets transferred to held for sale
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets							
Land	39,839	-	39,839	388	-	-	(560)
Buildings	126,177	(5,497)	120,680	2,405	-	-	(174)
Library books	5,004	(2,750)	2,254	-	-	-	-
Motor vehicles	9,054	(5,339)	3,715	40	-	-	-
Art collections	25,050	(52)	24,998	232	-	-	-
Plant and equipment	21,274	(14,401)	6,873	2,853	-	2	-
<b>Total operational assets</b>	<b>226,398</b>	<b>(28,039)</b>	<b>198,359</b>	<b>5,918</b>	<b>-</b>	<b>2</b>	<b>(734)</b>
Infrastructural assets							
Land	7,049	-	7,049	(2)	-	-	-
Parks and reserves	16,803	-	16,803	-	1,966	-	-
Recreational forests	1,888	-	1,888	-	-	-	-
Roading and footpaths	355,242	(20,846)	334,396	-	6,527	-	-
Sewerage							
- treatment plant and facilities	47,821	(6,401)	41,420	-	1,115	-	-
- other	153,381	(3,423)	149,958	-	2,245	33	-
Water							
- treatment plant and facilities	17,434	-	17,434	-	342	-	-
- other	95,686	(6)	95,680	-	2,675	-	-
Stormwater	104,121	(2,036)	101,885	-	677	-	-
Flood protection & control works	-	-	-	-	-	-	-
Land under roads	41,015	-	41,015	-	68	-	-
<b>Total infrastructural assets</b>	<b>840,440</b>	<b>(32,712)</b>	<b>807,528</b>	<b>(2)</b>	<b>15,615</b>	<b>33</b>	<b>-</b>
Restricted assets							
Airport	47,815	(107)	47,708	-	-	-	-
Land	82,437	-	82,437	-	-	-	-
Landfill	12,424	1	12,425	58	-	-	-
<b>Total restricted assets</b>	<b>142,676</b>	<b>(106)</b>	<b>142,570</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Group</b>	<b>1,209,514</b>	<b>(60,857)</b>	<b>1,148,457</b>	<b>5,974</b>	<b>15,615</b>	<b>35</b>	<b>(734)</b>

Other transfers	Current year disposals	Current year impairment charges	Current year dep'n	Reval Surplus	Other cost mvments	Dep'n writeback	Other dep'n mvments	Cost / revaluation 30/6/16	Accum dep'n & impairmnt changes 30/6/16	Carrying amount 30/6/16
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(1,209)	(1,238)	-	-	-	-	-	-	37,220	-	37,220
9,355	(2,104)	473	(5,323)	-	-	715	-	135,659	(10,578)	125,081
-	-	-	(1)	-	-	-	-	5,004	(2,751)	2,253
-	(3,857)	-	(758)	-	-	3,724	-	5,237	(2,373)	2,864
-	-	-	(15)	-	-	-	-	25,282	(67)	25,215
1,209	(24)	-	(1,759)	-	-	149	-	25,314	(16,011)	9,303
9,355	(7,223)	(473)	(7,856)	-	-	4,588	-	233,716	(31,780)	201,936
7,155	-	-	-	-	-	-	-	14,202	-	14,202
42	(75)	-	(1,392)	-	-	8	3	18,736	(1,381)	17,355
-	-	-	-	-	-	-	-	1,888	-	1,888
(42)	(1,405)	-	(6,056)	484	(26,882)	93	26,809	333,924	-	333,924
620	(4)	-	(2,435)	-	-	-	-	49,552	(8,836)	40,716
(419)	(263)	-	(2,400)	-	-	35	-	154,977	(5,788)	149,189
-	(20)	-	(397)	-	-	-	-	17,756	(397)	17,359
-	(86)	-	(2,302)	-	-	1	-	98,275	(2,307)	95,968
(201)	(255)	-	(2,083)	-	-	2	-	104,342	(4,117)	100,225
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	41,083	-	41,083
7,155	(2,108)	-	(17,065)	484	(26,882)	139	26,812	834,735	(22,826)	811,909
(16,510)	-	-	(808)	-	-	-	-	31,305	(915)	30,390
-	-	-	-	-	-	-	-	82,437	-	82,437
-	-	-	(165)	-	-	-	-	12,482	(164)	12,318
(16,510)	-	-	(973)	-	-	-	-	126,224	(1,079)	125,145
-	(9,331)	(473)	(25,894)	484	(26,882)	4,727	26,812	1,194,675	(55,685)	1,138,990

## 17: Property, plant and equipment – Council 2015

2015 Classification	Cost / revaluation 1/7/14	Accum depn & impairmt charges 1/7/14	Carrying amount 1/7/14	Current year additions	Infrastructural Assets constructed by council	Infrastructural Assets transferred to council	Assets transferred to held for sale
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets							
Land	39,838	-	39,838	0	-	-	-
Buildings	122,775	(281)	122,494	979	-	-	-
Library books	4,509	(1,901)	2,608	495	-	-	-
Motor vehicles	8,585	(4,378)	4,207	350	-	-	-
Art collections	24,596	(21)	24,575	118	-	-	-
Plant and equipment	18,141	(11,814)	6,327	1,477	-	-	-
<b>Total operational assets</b>	<b>218,444</b>	<b>(18,395)</b>	<b>200,049</b>	<b>3,419</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructural assets							
Land	5,822	-	5,822	-	19	-	-
Parks and reserves	30,181	(5,402)	24,779	-	1,463	-	-
Recreational forests	2,460	-	2,460	-	-	-	-
Roading and footpaths	346,618	(14,853)	331,765	-	5,794	-	-
Sewerage							
- treatment plant and facilities	51,296	(4,891)	46,405	-	772	-	-
- other	158,848	(1,072)	157,776	-	3,235	48	-
Water							
- treatment plant and facilities	17,971	(2,105)	15,866	-	119	39	-
- other	89,059	(12,414)	76,645	-	1,592	-	-
Stormwater	103,504	-	103,504	-	588	17	-
Flood protection & control works	-	-	-	-	-	-	-
Land under roads	41,015	-	41,015	-	-	-	-
<b>Total infrastructural assets</b>	<b>846,774</b>	<b>(40,737)</b>	<b>806,037</b>	<b>-</b>	<b>13,582</b>	<b>104</b>	<b>-</b>
Restricted assets							
Airport	49,795	(135)	49,660	-	-	-	(47,425)
Land	82,359	-	82,359	78	-	-	-
Landfill	14,454	(1,281)	13,173	986	-	-	-
<b>Total restricted assets</b>	<b>146,608</b>	<b>(1,416)</b>	<b>145,192</b>	<b>1,064</b>	<b>-</b>	<b>-</b>	<b>(47,425)</b>
<b>Total Council</b>	<b>1,211,826</b>	<b>(60,548)</b>	<b>1,151,278</b>	<b>4,483</b>	<b>13,582</b>	<b>104</b>	<b>(47,425)</b>

Other transfers	Current year disposals	Current year impairment charges	Current year dep'n	Reval Surplus	Other cost mvments	Dep'n writeback	Other dep'n mvments	Cost / revaluation 30/6/15	Accum dep'n & impairmt changes 30/6/15	Carrying amount 30/6/15
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
1	-	-	-	-	-	-	-	39,839	-	39,839
2,570	(384)	-	(5,182)	-	-	-	-	125,940	(5,463)	120,477
-	-	-	(849)	-	-	-	-	5,004	(2,750)	2,254
-	(440)	-	(861)	-	-	253	-	8,495	(4,986)	3,509
336	-	-	(31)	-	-	-	-	25,050	(52)	24,998
460	(67)	-	(1,710)	-	(80)	-	-	19,931	(13,524)	6,407
3,367	(891)	-	(8,633)	-	(80)	253	-	224,259	(26,775)	197,484
1,208	-	-	-	-	-	-	-	7,049	-	7,049
(8,356)	(1,772)	-	(1,057)	(4,713)	-	484	5,975	16,803	-	16,803
-	(572)	-	-	-	-	-	-	1,888	-	1,888
3,718	(888)	-	(6,047)	-	-	54	-	355,242	(20,846)	334,396
5,104	(1,211)	(6,401)	(2,182)	(8,254)	114	301	6,772	47,821	-6,401	41,420
(5,104)	(3,728)	-	(2,352)	-	82	1	-	153,381	(3,423)	149,958
(148)	(85)	-	(542)	(462)	-	30	2,617	17,434	-	17,434
(14)	(909)	-	(2,043)	5,958	-	108	14,343	95,686	(6)	95,680
324	(104)	-	(2,038)	-	(208)	2	-	104,121	(2,036)	102,085
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	41,015	-	41,015
(3,268)	(9,269)	(6,401)	(16,261)	(7,471)	(12)	980	29,707	840,440	(32,712)	807,728
-	(1,554)	-	(84)	-	(45)	112	-	771	(107)	664
-	-	-	-	-	-	-	-	82,437	-	82,437
(2,241)	(192)	-	(176)	(583)	-	29	1,429	12,424	1	12,425
(2,241)	(1,746)	-	(260)	(583)	(45)	141	1,429	95,632	(106)	95,526
(2,142)	(11,906)	(6,401)	(25,154)	(8,054)	(137)	1,374	31,136	1,160,331	(59,593)	1,100,738



## 17: Property, plant and equipment – Group 2015

2015 Classification	Cost / revaluation 1/7/14	Accum depn & impairmt charges 1/7/14	Carrying amount 1/7/14	Current year additions	Infrastructural Assets constructed by council	Infrastructural Assets transferred to council	Assets transferred to held for sale
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets							
Land	39,838	-	39,838	0	-	-	-
Buildings	122,954	(304)	122,650	1,037	-	-	-
Library books	4,509	(1,901)	2,608	495	-	-	-
Motor vehicles	9,144	(4,721)	4,423	350	-	-	-
Art collections	24,596	(21)	24,575	118	-	-	-
Plant and equipment	19,468	(12,544)	6,924	1,515	-	-	-
<b>Total operational assets</b>	<b>220,509</b>	<b>(19,491)</b>	<b>201,018</b>	<b>3,515</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructural assets							
Land	5,822	-	5,822	-	19	-	-
Parks and reserves	30,181	(5,402)	24,779	-	1,463	-	-
Recreational forests	2,460	-	2,460	-	-	-	-
Roading and footpaths	346,618	(14,853)	331,765	-	5,794	-	-
Sewerage							
- treatment plant and facilities	51,296	(4,891)	46,405	-	772	-	-
- other	158,848	(1,072)	157,776	-	3,235	48	-
Water							
- treatment plant and facilities	17,971	(2,105)	15,866	-	119	39	-
- other	89,059	(12,414)	76,645	-	1,592	-	-
Stormwater	103,504	-	103,504	-	588	17	-
Flood protection & control works	-	-	-	-	-	-	-
Land under roads	41,015	-	41,015	-	-	-	-
<b>Total infrastructural assets</b>	<b>846,774</b>	<b>(40,737)</b>	<b>806,037</b>	<b>-</b>	<b>13,582</b>	<b>104</b>	<b>-</b>
Restricted assets							
Airport	49,795	(135)	49,660	-	-	-	(381)
Land	82,359	-	82,359	78	-	-	-
Landfill	14,454	(1,281)	13,173	986	-	-	-
<b>Total restricted assets</b>	<b>146,608</b>	<b>(1,416)</b>	<b>145,192</b>	<b>1,064</b>	<b>-</b>	<b>-</b>	<b>(381)</b>
<b>Total Group</b>	<b>1,213,891</b>	<b>(61,644)</b>	<b>1,152,247</b>	<b>4,579</b>	<b>13,582</b>	<b>104</b>	<b>(381)</b>

Other transfers	Current year disposals	Current year impairment charges	Current year dep'n	Reval Surplus	Other cost mvments	Dep'n writeback	Other dep'n mvments	Cost / revaluation 30/6/15	Accum dep'n & impairmt changes 30/6/15	Carrying amount 30/6/15
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
1	-	-	-	-	-	-	-	39,839	-	39,839
2,570	(384)	-	(5,193)	-	-	-	-	126,177	(5,497)	120,680
-	-	-	(849)	-	-	-	-	5,004	(2,750)	2,254
-	(440)	-	(871)	-	-	253	-	9,054	(5,339)	3,715
336	-	-	(31)	-	-	-	-	25,050	(52)	24,998
460	(89)	-	(1,874)	-	-80	17	-	21,274	(14,401)	6,873
3,367	(913)	-	(8,818)	-	(80)	270	-	226,398	(28,039)	198,359
1,208	-	-	-	-	-	-	-	7,049	-	7,049
(8,356)	(1,772)	-	(1,057)	(4,713)	-	484	5,975	16,803	-	16,803
-	(572)	-	-	-	-	-	-	1,888	-	1,888
3,718	(888)	-	(6,047)	-	-	54	-	355,242	(20,846)	334,396
5,104	(1,211)	-6,401	(2,182)	(8,254)	114	301	6,772	47,821	-6,401	41,420
(5,104)	(3,728)	-	(2,352)	-	82	1	-	153,381	(3,423)	149,958
(148)	(85)	-	(542)	(462)	-	30	2,617	17,434	-	17,434
(14)	-909	-	-2,043	5,958	-	108	14,343	95,686	(6)	95,680
324	(104)	-	(2,038)	-	(208)	2	-	104,121	(2,036)	102,085
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	41,015	-	41,015
-3,268	(9,269)	-6,401	(16,261)	(7,471)	(12)	980	29,707	840,440	(32,712)	807,728
0	(1,554)	-	(84)	-	(45)	112	-	47,815	(107)	47,708
-	-	-	-	-	-	-	-	82,437	-	82,437
(2,241)	(192)	-	(176)	(583)	-	29	1,429	12,424	1	12,425
(2,241)	(1,746)	-	(260)	(583)	(45)	141	1,429	142,676	(106)	142,570
(2,142)	(11,928)	(6,401)	(25,339)	(8,054)	(137)	1,391	31,136	1,209,514	(60,857)	1,148,657

## Valuation

	Last Valuation Date	Replacement Cost 2016 \$000	Replacement Cost 2015 \$000
Roading and footpaths	2016	438,610	504,307
Sewerage			
- treatment plant and facilities	2015	89,367	83,494
- other	2014	274,343	245,982
Water			
- treatment plant and facilities	2015	23,581	22,166
- other	2015	194,078	182,495
Stormwater	2014	206,564	186,190
Flood protection and control works	N/A	-	-

### Land (operational, restricted, and infrastructural)

The fair value of land is reviewed at three yearly intervals. The most recent valuation was performed by independent valuers QV and was effective as at 30 June 2014. There were also four separate land parcels valued by independent valuers Telfer Young, which were excluded from the QV valuation.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

### Buildings (operational and restricted)

The fair value of buildings is reviewed at three yearly intervals. The most recent valuation was performed by independent valuers Landmass. The valuation is effective as at 30 June 2014.

Specialised buildings are valued at fair value using the depreciated replacement cost method because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions including:

- The replacement asset is based on the reproduction cost of the specific asset with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For Council's earthquake prone buildings that are expected to be strengthened, the estimated earthquake strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake prone buildings and the associated lost rental during the time to undertake the strengthening work.

### **Infrastructural asset classes: sewerage, water, drainage, and roads**

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method. These include:

- Estimating any obsolescence or surplus capacity of the assets.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over-or-under-estimating the annual depreciation charge recognised as an expense in the Statement of comprehensive revenue. To minimise this risk, infrastructural asset lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

The fair value of infrastructural assets will be revised at three yearly 'rolling' intervals. The most recent valuations are performed by Council engineers and are peer reviewed by independent valuers Beca Valuation Services Limited. The effective dates of these valuations are:

- Water reticulation system: 30 June 2015
- Wastewater reticulation system: 30 June 2014
- Wastewater: treatment plant and facilities: 30 June 2015
- Stormwater and land drainage system: 30 June 2014
- Roding network: 30 June 2016
- Parks and reserves assets: 30 June 2015

The valuation for wastewater reticulation system is included within the classification 'sewerage other'

### **Art collections**

The Museum art collections are valued at fair market value. Determination of fair value is made by: If an active market exists for the same or similar asset the market prices are deemed to be the fair value or If there is no active market fair value should be determined by other market based evidence adjudged by us as active and knowledgeable participants in the market. The last valuation was completed by independent valuer Art + Object and is effective 30 June 2014. There are a small number of artworks owned by the Council, but not housed in the Museum which were not revalued. The collective carrying value of these assets at 30 June 2016 is \$25.187 million.

### **Airport assets**

In 2014-15 the airport assets (excluding wetlands) were reclassified as held for sale. They have since been transferred to Rotorua Regional Airport Limited.

### **Impairment**

Impairment losses of \$1.4 million (2015: \$1.540m) have been recognised for the Community House and City Focus buildings. The impairment was recognised to reflect the decommissioning of those buildings. The impairment has been recognised in the statement of comprehensive revenue and expense in the line item "impairment of plant, property and equipment".

## Work in progress

Property, plant and equipment in the course of construction by class of asset is detailed as follows:

	Council and Group	
	2016 000's	2015 000's
<b>Operational Assets</b>		
Land	84	91
<b>Buildings</b>	1,417	419
<b>Art collections</b>	78	10
<b>Plant and equipment</b>	296	128
<b>Infrastructural assets</b>		
Parks and reserves	1,499	568
Roading and footpaths	1,108	863
Sewerage - treatment plant and facilities	2,570	1,664
Sewerage - other	4,258	2,872
Stormwater	443	608
Water - treatment plant and facilities	-	175
Water - other	1,912	1,005
Land under roads	25	-
<b>Restricted assets</b>		
Landfill	108	50
<b>Total Work in Progress</b>	<b>13,798</b>	<b>8,453</b>

## Leasing

The net carrying amount of plant and equipment held under finance leases is \$Nil (2015: \$Nil).



## 18: Intangible assets

	Council		Goodwill	Terax		Total	Group
	Carbon Credits	Computer Software		Intellectual Property	Total		Total
	\$000	\$000		\$000	\$000		\$000
<b>Cost</b>							
Balance as at 1 July 2015	487	6,067	95	2,142	8,791		8,933
Additions	1	166	-	400	567		581
Transfers from property, plant and equipment	-	-	-	-	-		-
Disposals	(1)	(30)	-	-	(31)		(33)
Revaluation	853	-	-	-	853		853
Impairment	-	-	-	-	-		(1)
<b>Balance as at 30 June 2016</b>	<b>1,340</b>	<b>6,203</b>	<b>95</b>	<b>2,542</b>	<b>10,180</b>		<b>10,333</b>
Balance as at 1 July 2014	300	5,865	95	-	6,260		6,367
Additions	2	202	-	-	204		246
Transfers from property, plant and equipment	-	-	-	2,142	2,142		2,142
Disposals	(2)	-	-	-	(2)		(9)
Revaluation	187	-	-	-	187		187
Impairment	-	-	-	-	-		-
<b>Balance as at 30 June 2015</b>	<b>487</b>	<b>6,067</b>	<b>95</b>	<b>2,142</b>	<b>8,791</b>		<b>8,933</b>
<b>Accumulated amortisation and impairment</b>							
Balance as at 1 July 2015	-	4,957	-	-	4,957		5,049
Amortisation Charge	-	605	-	-	605		609
Disposals	-	-	-	-	-		-
<b>Balance as at 30 June 2016</b>	<b>-</b>	<b>5,562</b>	<b>-</b>	<b>-</b>	<b>5,562</b>		<b>5,658</b>
Balance as at 1 July 2014	-	3,701	-	-	3,701		3,806
Amortisation Charge	-	1,256	-	-	1,256		1,276
Disposals	-	-	-	-	-		(33)
<b>Balance as at 30 June 2015</b>	<b>-</b>	<b>4,957</b>	<b>-</b>	<b>-</b>	<b>4,957</b>		<b>5,049</b>
<b>Carrying Amounts</b>							
Balance as at 1 July 2014	300	2,164	95	-	2,559		2,561
Balance as at 30 June and 1 July 2015	487	1,110	95	2,142	3,834		3,884
Balance as at 30 June 2016	1,340	641	95	2,542	4,618		4,675

## Carbon credits

During 2012-13, the Council acquired 75,000 carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations. During 2014-15, the Council purchased a further 19,405 carbon credits to the value of \$1,940. These were forfeited in order to meet its 2014 calendar year carbon credits emissions liability. At 30 June 2016, Council's closing carbon credit balance of 75,000 units were revalued based on the market spot rate at balance date.

## Goodwill

In May 2013, the Council purchased a Café business (the 'Museum Café'). Goodwill on acquisition was \$212,000. In 2013-14 an impairment loss of \$117,000 was recognised in the statement of comprehensive revenue and expense under "other expenses" (note 9). An impairment assessment for 2015-16 has determined that there has been no impairment on the carrying balance of goodwill for the year.

## Terax Intellectual Property

Terax Intellectual Property represents costs spent to date on the design and development of technology for the enhanced treatment of organic landfill waste.

## Work in progress

The total amount of computer software in the course of construction is \$123,000 (2015: \$153,000). The total amount of Terax intellectual property in the course of construction is \$2.542m (2015: \$2.142m).

# 19: Depreciation and amortisation expenses by group of activity

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Directly attributable depreciation and amortisation expense by group of activity</b>				
Community facilities	3,528	5,229	3,528	5,229
Community safety	51	53	51	53
District development	240	258	240	463
Governance	2,977	3,450	4,420	3,450
Inner city services	325	341	325	341
Open spaces and recreation	1,975	1,674	1,975	1,674
Roads and footpaths	5,956	5,883	5,956	5,883
Sewage disposal	4,988	4,694	4,988	4,694
Stormwater	2,076	2,032	2,076	2,032
Waste management	175	185	175	185
Water Supplies	2,766	2,649	2,766	2,649
<b>Total directly attributable depreciation and amortisation by group of activity</b>	<b>25,057</b>	<b>26,448</b>	<b>26,500</b>	<b>26,653</b>
Depreciation and amortisation not directly related to group of activities	-	-	-	-
<b>Total depreciation and amortisation expense</b>	<b>25,057</b>	<b>26,448</b>	<b>26,500</b>	<b>26,653</b>

## 20: Forestry assets

Council's forestry assets are recognised as recreational forests, as part of Council's operating assets. The Council owns six forestry stands located at:

- Tutukau Road – this stand measures 10 hectares of Pinus Radiata forest with a current age of 15 years.
- Near the Rotorua Landfill that measures 2.4 hectares of Pinus Radiata forest with a current age of 32 years.
- Great West Road spring reserve measures 2.5 hectares of Pinus Radiata forest with a current age of approximately 35 years.
- Hill Road spring reserve measures 1.6 hectares of Pinus Radiata forest with a current age of 27 years.
- Reservoir Road spring reserve measures 7.6 hectares of Pinus Radiata forest with a current age of 14 years.
- Tokorangi forest measures 112.2 hectares and consists of multiple species including Redwood, Douglas Fir, Pinus Radiata, Pinus Patula, Eucalyptus, Larch and Blackwood. The age of each stand of species varies, depending on year of planting, and ranges from 3 -114 years.

### Tokorangi Forest (Redwood Forest)

In 1993 the Crown Forest License for the Tokorangi Forest (Redwood Forest) was transferred to Council from the Crown in recognition of the significant recreation resource with the valuable aesthetic and landscape features that the forest represents for the people of Rotorua, as well as its national and international visitors. There are covenants in place that restrict the licence to this effect. The majority of the forest will therefore not be managed commercially.

The land on which the forest grows is owned by the Central North Island Iwi Collective. Council has the licence to continue managing the forest for the next thirty three years.

## 21: Payables and deferred revenue

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Payables and deferred revenue under exchange transactions</b>				
Trade payables	5,410	6,794	7,198	7,513
Amounts due to subsidiaries and associates	1,626	445	-	-
Amounts due to customers for contract work	5,305	798	5,305	798
Retentions accrued for contract work	682	642	682	642
Other payables	758	442	758	1,084
Deposits and bonds	1,025	955	1,025	955
Rates, fees and grants received in advance	1,823	1,706	1,838	1,706
Accrued interest	1,899	2,446	1,899	2,446
	18,528	14,228	18,705	15,144
<b>Payables and deferred revenue under non exchange transactions</b>				
Taxes payable	-	-	111	8
Grants payable	2,394	2,665	2,394	2,665
Other grants and bequests received subject to substantive conditions not yet met	-	-	-	-
	2,394	2,665	2,505	2,673
<b>Total creditors and other payables</b>	<b>20,922</b>	<b>16,893</b>	<b>21,210</b>	<b>17,817</b>

Creditors and payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

## 22: Borrowings

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Current portion</b>				
Registered debenture stock	20,000	25,000	21,504	25,000
Registered security stock	5,400	22,500	5,400	22,500
<b>Total current portion</b>	<b>25,400</b>	<b>47,500</b>	<b>26,904</b>	<b>47,500</b>
<b>Non-current portion</b>				
Registered debenture stock	40,000	65,000	40,000	65,000
Registered security stock	-	-	-	-
LGFA borrowing	98,700	55,000	98,735	55,000
Other secured loans	-	-	-	-
<b>Total non-current portion</b>	<b>138,700</b>	<b>120,000</b>	<b>138,735</b>	<b>120,000</b>
<b>Total borrowings</b>	<b>164,100</b>	<b>167,500</b>	<b>165,639</b>	<b>167,500</b>

### Fair values of non-current borrowings

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Registered debenture stock	32,463	68,154	32,463	68,154
Registered security stock	-	-	-	-
LGFA borrowing	104,612	59,078	104,612	59,078
Derivative valuation	-	-	-	-
<b>Total</b>	<b>137,075</b>	<b>127,232</b>	<b>137,075</b>	<b>127,232</b>

### Registered security stock

Security stock of \$5,400,000 (2015: \$22,500,000) is at floating interest rates. The interest rate is reset based on the bank bill rate plus a margin for credit risk.

Borrowing from the Local Government Funding Agency (LGFA) of \$98.7 million (\$2015: \$55 million) is at fixed interest rates for the term of the stock.

### Registered debenture stock

Debenture stock of \$60 million (2015: \$90 million) is at fixed interest rates for the term of the stock. Debenture stock of \$5.4 million (2015: \$10 million) is at floating interest rates. The interest rate is reset quarterly or six monthly based on the equivalent bank bill rate plus a margin for credit risk.

## Security

All Council's borrowings are secured by a floating charge over the future rate revenue of the district through the operation of a Debenture Trust Deed.

Council does not have an overdraft facility.

## Treasury Policy compliance ratios

	Limit	2016	2015
Net Debt / Total Revenue <sup>^</sup>	< 175%	138.17%	156.53%
Net Interest / Total Revenue	<20%	7.26%	8.72%
Net Interest / Annual Rates Income	<25%	10.06%	11.17%
Liquidity [a]*	>110%	136.60%	129.42%
Liquidity [b]**	6 mths	within limit	n/a

<sup>^</sup> This Policy limit increases to 250% if Council attains an external long term credit rating of "A" or better.

\* Liquidity [a]: external debt plus cash or near cash financial investments, plus unutilised but committed loan facilities, to existing external debt.

\*\* Liquidity [b]: external debt plus cash or near cash financial investments, plus unutilised but committed loan facilities, less emergency risk funding of \$15 million, to equal a minimum period of forecast net cash outflow including maturing debt on a rolling basis.

The weighted average effective interest rate on borrowings is 4.71% (2015: 5.38%).

## 23: Employee entitlements

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Current</b>				
Payroll payables	741	1,229	1,499	1,229
Accrued pay	248	400	257	400
Annual leave	2,203	3,323	2,274	3,380
Long Service Leave	156	156	353	156
Retirement gratuities	-	-	-	-
Sick leave	80	99	80	99
<b>Total current</b>	<b>3,428</b>	<b>5,207</b>	<b>4,463</b>	<b>5,264</b>

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Non current</b>				
Long Service Leave	24	23	24	23
Retirement gratuities	81	175	81	175
<b>Total non current</b>	<b>105</b>	<b>198</b>	<b>105</b>	<b>198</b>



The present value of retirement and long service leave obligations depend on a number of factors. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted average discount rate of 2.25% (2015: 3.25%) and an inflation factor of 0.4% (2015: 0.3%) were used.

## 24: Provisions

	Council		Group	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
<b>Current provisions are represented by:</b>				
Restructuring provision	-	21	-	21
Weather-tightness claims	354	396	354	396
Landfill aftercare provisions	20	20	20	20
ACC accredited employers programme	-	-	118	-
Prov. grants not yet uplifted	15	18	15	18
<b>Total current provisions</b>	<b>389</b>	<b>455</b>	<b>507</b>	<b>455</b>
<b>Non-current provisions are represented by:</b>				
Landfill aftercare provision	1,810	1,734	1,810	1,734
Provision for refund of rates	69	69	69	69
<b>Total non-current provisions</b>	<b>1,879</b>	<b>1,803</b>	<b>1,879</b>	<b>1,803</b>

Movements for each class of provisions are as follows:

Council and group	Restructuring	Weather-tightness claims	Landfill aftercare	Refund of rates	Grants not yet uplifted	ACC Accreditation
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2016</b>						
Balance 1 July 2015	21	396	1,754	69	18	-
Additional provisions made during the year	-	-	77	-	-	117
Amounts used during the year	(21)	(42)	-	-	(3)	-
Discount unwinding	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>-</b>	<b>354</b>	<b>1,831</b>	<b>69</b>	<b>15</b>	<b>117</b>
<b>2015</b>						
Balance 1 July 2014	1,033	573	2,019	69	24	-
Additional provisions made during the year	-	-	-	-	-	-
Amounts used during the year	(1,012)	(177)	(265)	-	(6)	-
Discount unwinding	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>21</b>	<b>396</b>	<b>1,754</b>	<b>69</b>	<b>18</b>	<b>-</b>

## Weathertightness claims

There are currently three claims lodged with the Weathertight Homes Resolutions Service (WHRS) and the Financial Assistance Package as at 30 June 2016 (2015: four). These claims relate to weathertight issues of homes in the Rotorua area and name the Council as well as other parties. Council has recognised a provision of \$354,000 for actual and any potential future claims, which has been based on historical average claim levels and other information held.

The actual costs to the Council may vary significantly from the amount of the provision currently recognised, particularly the estimations of unreported claims, which is based on historical data collected on the number of claims lodged allows assumptions to be made on the percentage of homes that experience issues that will result in a successful weathertightness claim.

## 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 management of the landfill will influence the timing of recognition of some liabilities. The current landfill will gain increased capacity in two stages. A liability relating to stage one will only be created when this stage is commissioned and when refuse begins to accumulate in this stage.

- The current remaining capacity of the site is 671,000 cubic metres, increasing up to 2.360 million cubic metres at stage two (refuse, clean fill and cover).
- The estimated remaining life (including stages one and two development) is 43 years.
- Estimates of the life have been made by Council's engineers based on historical and projected volume information.

The cash out flows for the landfill post-closure are expected to occur in about 17 years' 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 5.4%.

## Refund of rates

This provision primarily relates to a provision for historical errors for rates charged in prior years.

## 25: Equity

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Accumulated Funds</b>				
Balance at 1 July	729,554	740,644	729,646	740,701
Net surplus/(deficit)	(4,390)	(15,986)	(4,481)	(15,951)
Transfers from asset revaluation reserves on PPE disposal	2,004	4,498	2,004	4,498
Transfers (to)/from self funding reserve	(219)	717	(219)	717
Transfer (to)/from council created reserve	8	(8)	8	(8)
Transfer from restricted reserve	(3,634)	(311)	(3,634)	(311)
<b>Balance at 30 June</b>	<b>723,323</b>	<b>729,554</b>	<b>723,324</b>	<b>729,646</b>

## Self-funding reserves

Self-funding reserves are reserves established at Council's will for activities that will generate enough revenue over time to cover the cost of their operation. The reserves balances represent accumulated balances to date of such activities.

	Opening balance 01/07/15	Movement during year	Interest earned/ charged to 30/06/16	Transfer to accumulated funds	Closing balance 30/06/16
	\$000	\$000	\$000	\$000	\$000
<b>Council and Group 2016</b>					
Pensioner housing	1,412	219	-	-	1,631
<b>Total self funding reserves</b>	1,412	219	-	-	1,631

	Opening balance 01/07/14	Movement during year	Interest earned/ charged to 30/06/15	Transfer to accumulated funds	Closing balance 30/06/15
	\$000	\$000	\$000	\$000	\$000
<b>Council and Group 2015</b>					
Pensioner housing	1,184	228	-	-	1,412
Electricity	945	-	-	(945)	-
<b>Total self funding reserves</b>	2,129	228	-	(945)	1,412

## Council created reserves

Council created reserves are established by Council resolution. Transfers to and from these reserves is at the discretion of Council.

	Opening balance 01/07/15	Movement during year	Interest earned/ charged to 30/06/16	Transfer to accumulated funds	Closing balance 30/06/16
	\$000	\$000	\$000	\$000	\$000
<b>Council and Group 2016</b>					
Reporoa Domain	74	(1)	-	-	73
Waikite Domain	26	(7)	-	-	19
<b>Total Council created reserves</b>	100	(8)	-	-	92

	Opening balance 01/07/14	Movement during year	Interest earned/ charged to 30/06/15	Transfer to accumulated funds	Closing balance 30/06/15
	\$000	\$000	\$000	\$000	\$000
<b>Council and Group 2015</b>					
Reporoa Domain	66	8	-	-	74
Waikite Domain	26	-	-	-	26
<b>Total Council created reserves</b>	92	8	-	-	100

The Reporoa and Waikite Domain reserves were established to account for the domain board committee current account balances. These were established when the Reserves Act came into effect. The reserve recognises a future call on funding towards improvements to various categories of capital assets; for example the Waikite Domain reserve assists with development of the Waikite Hot Pools.

## Restricted reserves

Restricted reserves are subject to specific conditions set either by legislation, trust or bequests and the purpose may not be changed without reference to the courts of a third party.

	Opening balance 01/07/15	Movement during year	Interest earned/ charged to 30/06/16	Closing balance 30/06/16
	\$000	\$000	\$000	\$000
<b>Council and Group 2016</b>				
Te Arawa Lakes Enhancement Reserve	-	3,505		3,505
Reserves development	1,780	129	-	1,909
Creative NZ Reserve	22	-	-	22
<b>Total Restricted Reserves</b>	<b>1,802</b>	<b>3,634</b>	<b>-</b>	<b>5,436</b>

	Opening balance 01/07/14	Movement during year	Interest earned/ charged to 30/06/15	Closing balance 30/06/15
	\$000	\$000	\$000	\$000
<b>Council and Group 2015</b>				
Reserves development	1,471	309	-	1,780
Creative NZ Reserve	20	2	-	22
<b>Total Restricted Reserves</b>	<b>1,491</b>	<b>311</b>	<b>-</b>	<b>1,802</b>

## Restrictions

Te Arawa Lakes Enhancement Reserve – Committed funding received from the Ministry for the Environment towards various Te Arawa Lakes Enhancement projects.

Reserve development – Section 108 of the Resource Management Act 1991 requires funds to be set aside for the development of reserves.

Creative NZ Reserve – Funds held and used in accordance with the policies of organisations external to Council; for example RLC allocates funds on behalf of Creative New Zealand on application for funding. Funding rounds occur approximately two times per year dependent on funds.

## Cashflow hedge reserve

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Opening balance</b>	(192)	261	(192)	261
Valuations gains / (losses) taken to equity	(198)	(453)	(198)	(453)
<b>Closing balance</b>	(390)	(192)	(390)	(192)

## Fair value through equity reserve

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Opening balance</b>	135	57	43	0
Transfers to accumulated funds	-	0	-	0
Valuations gains / (losses) taken to equity	(48)	78	44	43
<b>Closing balance</b>	87	135	87	43



## Asset revaluation reserves - Plant, Property, Equipment 2016

Council and Group	2016 asset revaluation reserve for each asset class consist of							
	Opening balance 01/07/15	Transfers relating to prior period	Transfers between asset classes	Revaluation gains / (losses) during year	Reval trfr to accum funds due to trfrs between classes/ impairment	Transfer to accumulated funds on disposal	Other transfers	Closing balance 30/06/16
2016	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Airport	-	-	-	-	-	-	-	-
Art collection	18,537	-	-	-	-	-	-	18,537
Building	15,290	-	-	-	-	(1,815)	-	13,475
Bridges	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-
Landfill	7,222	-	-	-	-	-	-	7,222
Library	334	-	-	-	-	1	-	335
Parks and reserves	2,069	-	-	-	-	(28)	-	2,041
Outdoor Furniture	-	-	-	-	-	-	-	-
Plant	-	-	-	-	-	-	-	-
Roading	102,292	-	-	484	-	462	-	103,238
Stormwater	51,047	-	-	-	-	(89)	-	50,958
Street items	196	-	-	-	-	(450)	-	(254)
Waste management	-	-	-	-	-	-	-	-
Wastewater reticulation	6,950	-	-	-	-	(27)	-	6,923
Wastewater plant	-	-	-	-	-	-	-	-
Waterworks	41,704	-	-	-	-	(58)	-	41,646
<b>TOTAL</b>	<b>245,641</b>	<b>-</b>	<b>-</b>	<b>484</b>	<b>-</b>	<b>(2,004)</b>	<b>-</b>	<b>244,121</b>

## Asset revaluation reserves - Plant, Property, Equipment 2015

Council and Group	2015 asset revaluation reserve for each asset class consist of							
	Opening balance 01/07/14	Transfers relating to prior period	Transfer to accumulated funds on disposal of property	Transfers between asset classes	Revaluation gains / (losses) during year	Revaluation disposals gains / (losses) during year	Debit reserves transferred to SOCI	Closing balance 30/06/15
2015	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Airport	4,325	-	-	-	-	(4,325)	-	-
Art collection	18,506	-	31	-	-	-	-	18,537
Building	14,714	-	576	-	-	-	-	15,290
Bridges	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-
Landfill	6,420	-	(4)	846	-	(40)	-	7,222
Library	334	-	-	-	-	-	-	334
Parks and reserves	3,620	254	(2,188)	1,262	-	(61)	(818)	2,069
Outdoor Furniture	-	-	(1)	-	1	-	-	-
Plant	-	-	205	-	(205)	-	-	-
Roading	100,966	-	1,198	-	-	128	-	102,292
Stormwater	50,464	-	185	-	-	398	-	51,047
Street items	450	(254)	-	-	-	-	-	196
Waste management	-	-	-	-	-	-	-	-
Wastewater reticulation	9,567	-	(2,605)	-	-	(12)	-	6,950
Wastewater plant	3,907	-	2,605	(6,342)	-	(170)	-	-
Waterworks	19,462	-	(2)	22,456	-	(212)	-	41,704
<b>TOTAL</b>	<b>232,735</b>	<b>-</b>	<b>-</b>	<b>18,222</b>	<b>(204)</b>	<b>(4,294)</b>	<b>(818)</b>	<b>245,641</b>

## Asset revaluation reserves - Intangibles

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### Council and Group

	Opening balance 01/07/15	Revaluation gains / (losses) during year	Closing balance 30/06/16
2016	\$000	\$000	\$000
Carbon credits	298	598	896
<b>TOTAL</b>	<b>298</b>	<b>598</b>	<b>896</b>

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### Council and Group

	Opening balance 01/07/14	Revaluation gains / (losses) during year	Closing balance 30/06/15
2015	\$000	\$000	\$000
Carbon credits	128	170	298
<b>TOTAL</b>	<b>128</b>	<b>170</b>	<b>298</b>

## 26: Reconciliation of net surplus (deficit) after tax to net cash flow from operating activities

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Surplus/(deficit) after tax</b>	(4,390)	(15,986)	(4,481)	(15,951)
Add/(less) non(cash items:				
Depreciation	24,452	25,192	25,898	25,397
Amortisation	605	1,256	608	1,257
Impairment of PPE/intangibles assets	1,400	1,540	1,873	1,540
Impairment of accounts receivable	79	218	79	218
Impairment of asset held for sale	-	-	-	-
Vested assets and assets recognised for first time	(34)	(803)	(34)	(803)
(Gains)/losses in fair value of forestry assets				
<b>Add/(less) items classified as investing or financing activities:</b>				
(Gains)/losses on disposal of property, plant and equipment	1,655	7,168	1,660	7,173
(Gains)/losses on disposal of Intangibles	-	-	32	32
Movement in capital creditors	(3,065)	(1,577)	(3,065)	(1,577)
(Gains)/losses in fair value of derivatives	-	-	-	-
(Gains)/losses in fair value of investments	479	182	(328)	182
<b>Add/(less) movements in working capital items:</b>				
Debtors and other receivables	(2,329)	(905)	(2,532)	(862)
Inventories	741	84	(123)	84
Creditors and other payables	4,029	120	3,393	930
Provision for taxation	-	-	49	2
Provisions	11	(1,460)	129	(1,465)
Employee Benefits	(1,873)	(970)	(895)	(986)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>21,760</b>	<b>14,059</b>	<b>22,263</b>	<b>15,171</b>

## 27: Capital commitments and operating leases

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Capital commitments</b>				
Buildings	1,668	13	1,668	13
Landfill	-	6,508	-	6,508
Parks and Reserves	850	16	850	16
Roading	12,265	13,563	12,265	13,563
Stormwater	13	-	13	-
Wastewater - other	1,428	612	1,428	612
Wastewater treatment	772	1,086	772	1,086
Water other	293	344	293	344
Intangibles	39	-	39	-
Plant and Equipment	183	-	183	-
<b>Total capital commitments</b>	<b>17,511</b>	<b>22,142</b>	<b>17,511</b>	<b>22,142</b>

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

### Operating leases as lessee

The Council and group leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 60 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not later than one year	621	441	681	501
Later than one year and not later than two years	469	355	469	494
Later than two years and not later than five years	901	959	1,171	1,374
Later than five years	2,559	2,527	2,559	2,678
<b>Total non cancellable operating lease commitments as lessee</b>	<b>4,550</b>	<b>4,282</b>	<b>4,880</b>	<b>5,047</b>
<b>Total commitments</b>	<b>22,061</b>	<b>26,424</b>	<b>22,391</b>	<b>27,189</b>

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$Nil (2015: \$Nil).

In general, leases can be renewed at the group's option, with rents set by reference to current market rates for items of equivalent age and condition. For some lease agreements the group has the option to purchase the asset at the end of the lease term.

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



## Operating leases as lessor

The Council leases land, buildings, parks, reserve land and commercial premises under operating leases. The majority of these leases have a non-cancellable term of 120 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Not later than one year	1,558	1,252	1,558	1,220
Later than one year and not later than two years	1,185	1,002	1,185	1,002
Later than two years and not later than five years	2,014	1,823	2,014	1,823
Later than five years	4,453	4,520	4,453	4,520
<b>Total non cancellable operating leases as lessor</b>	<b>9,210</b>	<b>8,597</b>	<b>9,210</b>	<b>8,565</b>

No contingent rents have been recognised during the period.

## 28: Contingencies

### Contingent liabilities

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Financial Guarantees</b>				
Guarantees to community and sporting groups	97	111	97	111
<b>Performance Bond</b>				
Performance bond BNZ on behalf of Tourism Rotorua	235	235	235	235
<b>Suspensory Loan</b>				
Housing New Zealand Corporation suspensory loan	1,532	1,532	1,532	1,532
<b>Legal proceedings</b>				
The Group's effective exposure to legal claims	750	750	750	750
<b>Total contingent liabilities</b>	<b>2,614</b>	<b>2,628</b>	<b>2,614</b>	<b>2,628</b>

### Financial guarantees

The value of the guarantees disclosed as contingent liabilities reflects the group's assessment of the undiscounted portion of financial guarantees that are not recognised in the statement of financial position.

## Performance Bond

Council, being a member of Travel Agents Association of New Zealand (TAANZ), is required to enter into a Deed of Indemnity to provide some protection for members of the public against any possible default by members of TAANZ in accounting for monies received for the purpose of travel and/or accommodation deposits, bookings or reservations. This bonding scheme with TAANZ requires Council to provide through the BNZ a letter of credit of \$235,000 as security for the Deed of Indemnity.

## Suspensory Loan

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

## Legal proceedings

The Council is currently facing four legal claims (2015: four). An estimate of council's share of exposure is \$750,000 (2015: \$750,000), and includes an estimate for other known situations out of which a formal claim may arise. The Council does not accept the validity of all these claims and is in the process of resolving them through normal legal channels.

## Unquantified claims

As disclosed in note 24, a provision of \$353,000 (2015: \$396,000) has been recognised for weathertightness claims. Included in this amount is an estimate of \$150,000 (2015: \$225,000) being 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 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.

RiskPool provides public liability and professional indemnity for its members, of which Council is no longer a member. The trust deed of RiskPool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the board may make a call on members in relation to that fund year. No further calls for additional contributions have occurred since 2012-2013 (the year Council exited Riskpool), and RiskPool have advised that, at time of publication of this report, there will be no need to make a call on funds for the fund years, up to the year Council exited the scheme. However, it is possible that further calls could still be made relating to those prior fund years, and a liability will be recognised for the future calls when there is more certainty over the amount of the calls.

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

As at 31 March 2016 the Scheme had a past service surplus of \$11.7 million (107.4% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS25.

The Actuary to the scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

## Local Government Funding Agency

The Council joined the New Zealand Local Government Funding Agency Limited (LGFA) in February 2013 as a guarantor local authority. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

The Council is one of ten local authority borrowers and guarantors with the LGFA which now has 30 local authorities and the Crown as shareholders of the LGFA. At 30 June 2016, the LGFA had borrowings totalling \$6.44 billion (2015: \$4.955 billion).

## Contingent assets

Loan guarantees	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Rotorua Badminton Club Incorporated	34	37	34	37
Rotorua Hockey Trust & BOP Hockey Association	122	136	122	136
<b>Total</b>	<b>156</b>	<b>173</b>	<b>156</b>	<b>173</b>

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

As at 30 June 2016 there are two facilities with a book value of \$156,000 (2015: \$173,000).

Suspensory Loans	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Reporoa College	10	20	10	20
Kaharoa Primary School	-	10	-	10
St Chads	3	3	3	3
John Paul College	75	95	75	95
Rotorua Kartsport Development	30	60	30	60
<b>Total</b>	<b>118</b>	<b>188</b>	<b>118</b>	<b>188</b>
<b>Total contingent assets</b>	<b>274</b>	<b>361</b>	<b>274</b>	<b>361</b>

## 29: Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have otherwise adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

	Council	
	2016	2015
Key management personnel compensation	\$000	\$000
Salaries and other short term employee benefits	1,200	1,199
Post-employment benefits	-	-
Other long-term benefits	37	35
Termination benefits	-	-
Share-based payments	-	-
Councillors Salaries	680	688
<b>Total group key management remuneration</b>	<b>1,917</b>	<b>1,922</b>
<b>Total full-time equivalent personnel</b>	<b>18</b>	<b>19</b>

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

## 30: Remuneration

### Chief Executive's remuneration

The Chief Executive of Rotorua District Council is appointed under Part 4, section 42 of the Local Government Act 2002. The Chief Executive received the following remuneration:

	Council	
	2016	2015
	\$	\$
Salary	314,952	294,270
Vehicle (including FBT)	-	-
Other Benefits	314,952	294,270
Professional Association Fees	275	275
Superannuation	-	-
	275	275
<b>Total normal remuneration</b>	<b>315,227</b>	<b>294,545</b>
Plus: Severance payment	-	-
Payment for accrued leave on cessation	-	-
<b>Total amount paid</b>	<b>315,227</b>	<b>294,545</b>

## Elected representatives

Elected representatives received the following remuneration:

	Honoraria	Hearing fees	Total	Total
	2016	2016	2016	2015
	\$	\$	\$	\$
<b>Mayor</b>				
Chadwick S (Mayor)	126,029	-	126,029	121,562
Chadwick S (Mayor) – Mayor's vehicle	3,654	-	3,654	3,654
<b>Councillors</b>				
Bentley P	43,542	-	43,542	42,730
Donaldson D	52,040	-	52,040	49,530
Gould M	43,542	-	43,542	41,450
Hunt K	45,666	800	46,466	56,422
Kent R	43,542	-	43,542	43,130
Maxwell T H	45,666	-	45,666	42,420
McVicker M	43,542	-	43,542	41,450
Raukawa-Tait M	49,916	-	49,916	47,510
Searancke G P	43,550	520	44,070	58,042
Sturt C W	45,666	-	45,666	43,470
Tapsell T	43,542	-	43,542	41,450
Wepa J G	49,916	520	50,436	61,512
<b>Total Councillor remuneration</b>	<b>679,813</b>	<b>1,840</b>	<b>681,653</b>	<b>694,332</b>
Rotorua Lakes Community Board	27,500	-	27,500	31,700
<b>Total Elected Members' remuneration</b>	<b>707,313</b>	<b>1,840</b>	<b>709,153</b>	<b>726,032</b>

The monetary remuneration consists of honoraria (honorarium includes \$1,050 communication allowance) and meeting allowances, and is determined by the remuneration authority under the local government elected members determination 2015-16. Professional indemnity and trustee liability insurance is also provided to the councillors against any potential legal litigation which may occur while undertaking council business.



## Council employees

	Total 2016	Total 2015
Total annual remuneration by band for employees as at 30 June:		
< \$60,000	274	374
\$60,000 - \$79,999	102	105
\$80,000 - \$99,999	45	44
\$100,000 - \$119,999	14	10
\$120,000 - \$139,999	9	12
\$140,000 - \$159,999	6	7
\$160,000 - \$199,999	10	10
>\$200,000	4	5
Total employees	464	567

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 318 (2015: 443) full-time employees, with the balance of staff representing 88.03 (2015: 72.41) full-time equivalent employees. A full-time employee is determined on the basis of a 40 hour working week.

### 31: Severance payments

During the year the council made four severance payments consisting of: \$40,000; \$920; \$1,250, and \$7,000 (2015: one severance payment of \$6,000).

### 32: Agency relationships

Council is involved in administering expenditure and revenue on behalf of other organisations as follows:

These agency transactions have not been included in council's current year operating results. Council has, however, included the net movement in agency debtors and creditors in its statement of cashflows, and included the council's asset or liability in relation to the agencies in its statement of financial position. Council derives commission revenue to compensate for the cost of administration.

## Petrol tax

	2016	Percentage	2015	Percentage
The Bay of Plenty Local Authority Petrol Tax Distribution for the year ended 30 June 2015	\$000	%	\$000	%
Kawerau District Council	62	2.3%	61	2.4%
Opotiki District Council	64	2.4%	62	2.4%
Rotorua District Council	525	19.4%	510	19.8%
Taupo District Council	424	15.6%	395	15.3%
Tauranga City Council	937	34.6%	873	33.9%
Western BOP District Council	421	15.5%	405	15.7%
Whakatane District Council	278	10.2%	270	10.5%
<b>Total tax distributable to councils</b>	<b>2,711</b>	<b>100%</b>	<b>2,576</b>	<b>100%</b>

## State Highways administration

	2016	2015
	\$000	\$000
<b>Expenditure on State Highways roading network</b> (Reimbursed from New Zealand Transport Agency and Whakatane District Council)	664	873

## Regional Council rates

	2016	2015
	\$000	\$000
Rates were collected on behalf of the following Regional Authorities:		
Bay of Plenty Regional Council	8,136	7,520
	<b>8,136</b>	<b>7,520</b>

## 33: Financial instruments

### 33A: Financial instrument categories

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>				
Total cash and cash equivalents (including short term deposits 3 mths or less)	8,887	5,901	9,523	7,561
Debtors and other receivables (including community loans)	24,548	8,113	8,919	8,265
Borrower Notes	1,579	880	1,579	880
<b>Total loans and receivables</b>	<b>35,014</b>	<b>14,894</b>	<b>20,021</b>	<b>16,706</b>
<b>Fair value through other comprehensive income</b>				
Unlisted shares	32,174	2,322	471	458
<b>Derivatives that are hedge accounted</b>				
Derivative financial instrument assets	-	-	-	-
<b>Total financial assets</b>	<b>67,188</b>	<b>17,216</b>	<b>20,492</b>	<b>17,163</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities</b>				
Creditors and other payables	20,922	16,893	21,210	17,817
Borrowings:				
Registered debenture stock	60,000	90,000	61,504	90,000
Registered security stock	5,400	22,500	5,400	22,500
LGFA borrowings	98,700	55,000	98,735	55,000
<b>Derivatives that are hedge accounted</b>				
Derivative financial instrument liabilities	390	193	390	193
<b>Total financial liabilities at amortised cost</b>	<b>185,412</b>	<b>184,586</b>	<b>187,239</b>	<b>185,510</b>



## 33B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Total	Quoted market price	Valuation technique	Significant non-
	\$000	\$000	observable inputs	observable inputs
			\$000	\$000
<b>30 June 2016 Council</b>				
<b>Financial assets</b>				
Borrower Notes	1,579	-	1,579	-
Shares	32,174	-	-	32,174
Derivatives	-	-	-	-
<b>Financial liabilities</b>				
Registered debenture stock	60,000	-	60,000	-
Registered security stock	5,400	-	5,400	-
LGFA borrowings	98,700	-	98,700	-
Derivatives	390	-	390	-
<b>30 June 2016 Group</b>				
<b>Financial assets</b>				
Borrower Notes	1,579	-	1,579	-
Shares	471	-	-	471
Derivatives	-	-	-	-
<b>Financial liabilities</b>				
Registered debenture stock	61,504	-	61,504	-
Registered security stock	5,400	-	5,400	-
LGFA borrowings	98,735	-	98,735	-
Derivatives	390	-	390	-
<b>30 June 2015 Council</b>				
<b>Financial assets</b>				
Borrower notes	880	-	880	-
Shares	2,322	-	-	2,322
Derivatives	-	-	-	-
<b>Financial liabilities</b>				
Registered debenture stock	90,000	-	90,000	-
Registered security stock	22,500	-	22,500	-
LGFA borrowings	55,000	-	55,000	-
Derivatives	193	-	193	-
<b>30 June 2015 Group</b>				
<b>Financial assets</b>				
Borrower notes	880	-	880	-
Shares	458	-	-	458
Derivatives	-	-	-	-
<b>Financial liabilities</b>				
Registered debenture stock	90,000	-	90,000	-
Registered security stock	22,500	-	22,500	-
LGFA borrowings	55,000	-	55,000	-
Derivatives	193	-	193	-

There were no transfers between the different levels of the fair value hierarchy.



### Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balances 1 July	2,322	2,125	458	305
Gains and losses recognised in other comprehensive income	29,852	197	14	153
<b>Balance at 30 June</b>	<b>32,174</b>	<b>2,322</b>	<b>472</b>	<b>458</b>

Any hedging must be approved by council.

## 33C: Financial instrument risks

Council has a series of policies to manage the risk associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities. The Council has established liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. At present the Council is not exposed to any equity securities price risk as the council holds no listed equity instruments.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Council purchases plant and equipment associated with the construction of certain infrastructural assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

#### Interest rate risk

The interest rate risk comprises:

- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at fixed rates expose the council to fair value interest rate risk.
- Cash flow interest rate risk: the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rate expose the council to cash flow interest rate risk.

To manage these risks the council's current fixed rate maturity profile limits are:

Term of exposure	Minimum	Maximum
	Fixed Rate Exposure	Fixed Rate Exposure
Year 1	50%	100%
Years 2 and 3	30%	80%
Year 4	15%	60%
Year 5 to Year 10	0%	50%
Year 11 and over	Any hedging must be approved by council	

Notes 13 and 22 provide information on term loan interest rates, maturity profile and derivatives.

At year end the Council has one interest rate risk management instrument in place.

## Credit risk

Credit risk is the risk that a third party will default on its obligation to the Council causing the Council to incur a loss.

Financial instruments which potentially subject the Council to credit risk consist of bank balances, term deposits, rates and other receivables, community loans.

The Council places its cash and short term deposits with high credit quality financial institutions. Accordingly the Council does not require any collateral or security to support these financial instruments with institutions or organisations it deals with.

### Maximum exposure to credit risk

The Council's maximum credit exposure for each class of financial instrument is as follows:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash at Bank and term deposits	8,887	5,901	9,523	7,561
Debtors and other receivables (including community loans)	24,548	8,113	8,919	8,265
Borrower Notes	1,579	880	1,579	880
Unlisted shares	32,174	2,322	471	458
Derivative financial instrument assets	-	-	-	-
<b>Total</b>	<b>67,188</b>	<b>17,216</b>	<b>20,492</b>	<b>17,164</b>

## Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poors' credit ratings (if available) or to historical information about counterparty default rates:

	Council		Group	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Counterparties with credit ratings</b>				
Cash at bank and term deposits	8,887	5,901	9,523	7,561
<b>Total cash at bank and term deposits</b>	<b>8,887</b>	<b>5,901</b>	<b>9,523</b>	<b>7,561</b>
Borrower notes	1,579	880	1,579	880
<b>Total Borrower notes</b>	<b>1,579</b>	<b>880</b>	<b>1,579</b>	<b>880</b>
Derivative financial instrument assets	-	-	-	-
<b>Total derivative financial instrument assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Counterparties without credit ratings</b>				
Unlisted shares	32,174	2,322	472	458
<b>Total unlisted shares</b>	<b>32,174</b>	<b>2,322</b>	<b>472</b>	<b>458</b>
<b>Community and related party loans</b>				
Existing counterparty with no defaults in the past	16,248	256	248	256
<b>Total community and related party loans</b>	<b>16,248</b>	<b>256</b>	<b>248</b>	<b>256</b>

Debtors and other receivables mainly arise from Council's statutory function. Therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk with respect to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

## Liquidity risk

### Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

The Council manages its borrowings in accordance with its funding and financial policies, which includes a liability management policy. These policies have been adopted as part of the Council's Long Term planning process.

Council has a maximum amount that can be drawn down against its bank facilities of \$55 million (2015: \$65 million). There are no restrictions on the use of this facility.

## Contractual maturity analysis of financial liabilities

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Liability carrying amount	Contractual cashflows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council 2016</b>						
Creditors and payables	20,922	20,922	20,922	-	-	-
Registered debenture stock	60,000	68,514	20,700	5,280	29,251	13,283
Registered security stock	5,400	5,408	5,408	-	-	-
LGFA borrowings	98,700	118,297	-	12,968	62,430	42,899
Derivatives	390	390	390	-	-	-
<b>Total</b>	<b>185,412</b>	<b>213,531</b>	<b>47,420</b>	<b>18,248</b>	<b>91,681</b>	<b>56,182</b>
<b>Group 2016</b>						
Creditors and payables	21,210	21,210	21,210	-	-	-
Registered debenture stock	61,504	70,177	20,753	5,333	30,808	13,283
Registered security stock	5,400	5,408	5,408	-	-	-
LGFA borrowings	98,735	118,297	-	12,968	62,430	42,899
Derivatives	390	390	390	-	-	-
<b>Total</b>	<b>187,238</b>	<b>215,482</b>	<b>47,761</b>	<b>18,301</b>	<b>93,238</b>	<b>56,182</b>
<b>Council 2015</b>						
Creditors and payables	16,893	16,893	16,893	-	-	-
Registered debenture stock	90,000	102,993	25,687	27,460	36,036	13,810
Registered security stock	22,500	22,523	22,523	-	-	-
LGFA borrowings	55,000	67,334	-	-	47,042	20,292
Derivatives	193	193	193	-	-	-
<b>Total</b>	<b>184,586</b>	<b>209,936</b>	<b>65,296</b>	<b>27,460</b>	<b>83,078</b>	<b>34,102</b>
<b>Group 2015</b>						
Creditors and payables	17,817	17,817	17,817	-	-	-
Registered debenture stock	90,000	102,993	25,687	27,460	36,036	13,810
Registered security stock	22,500	22,523	22,523	-	-	-
LGFA borrowings	55,000	67,334	-	-	47,042	20,292
Derivatives	193	193	193	-	-	-
<b>Total</b>	<b>185,509</b>	<b>210,860</b>	<b>66,220</b>	<b>27,460</b>	<b>83,078</b>	<b>34,102</b>

## Contractual maturity analysis of financial assets

The table below analyses the council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council 2016</b>						
Cash and cash equivalents (including short term deposits 3 months or less)	8,887	8,887	8,887	-	-	-
Debtors and other receivables	24,548	24,548	24,548	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets						
Borrower notes	1,579	1,867	64	332	1,043	428
Unlisted shares	32,174	32,174	32,174	-	-	-
<b>Total</b>	<b>67,188</b>	<b>67,476</b>	<b>65,673</b>	<b>332</b>	<b>1,043</b>	<b>428</b>
<b>Group 2016</b>						
Cash and cash equivalents (including short term deposits 3 months or less)	9,523	9,523	9,523	-	-	-
Debtors and other receivables	24,919	24,919	24,919	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets						
Borrower notes	1,579	1,867	64	332	1,043	428
Unlisted shares	32,174	32,174	32,174	-	-	-
<b>Total</b>	<b>68,195</b>	<b>68,483</b>	<b>66,680</b>	<b>332</b>	<b>1,043</b>	<b>428</b>
<b>Council 2015</b>						
Cash and cash equivalents (including short term deposits 3 months or less)	5,901	5,901	5,901	-	-	-
Debtors and other receivables	8,113	8,113	8,113	-	-	-
Derivatives	-	62	-	62	-	-
Other financial assets						
Borrower notes	880	880	-	-	720	160
Unlisted shares	2,322	2,322	2,322	-	-	-
<b>Total</b>	<b>17,216</b>	<b>17,278</b>	<b>16,336</b>	<b>62</b>	<b>720</b>	<b>160</b>
<b>Group 2015</b>						
Cash and cash equivalents (including short term deposits 3 months or less)	7,561	7,561	7,561	-	-	-
Debtors and other receivables	8,265	8,265	8,265	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets						
Borrower notes	880	880	-	-	720	160
Unlisted shares	2,322	2,322	2,322	-	-	-
<b>Total</b>	<b>19,027</b>	<b>19,028</b>	<b>18,148</b>	<b>-</b>	<b>720</b>	<b>160</b>



## Sensitivity analysis

The following table illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Council and group's financial instrument exposures at the balance date.

Council	2016				2015			
	\$000				\$000			
	-100bps		+100bps		-100bps		+100bps	
Interest rate risk	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity
<b>Financial assets</b>								
Cash and cash equivalents	(89)		89		(59)		59	
Derivatives (hedge accounted)								
<b>Financial liabilities</b>								
Derivatives (hedge accounted)		(227)		220		(316)		304
Borrowings:								
- Debenture Stock	84		(84)		59		(59)	
- Security Stock	52		(52)		220		(220)	
<b>Total sensitivity</b>	47	(227)	(47)	220	220	(316)	(220)	304

Group	2016				2015			
	\$000				\$000			
	-100bps		+100bps		-100bps		+100bps	
Interest rate risk	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity	Surplus	Other equity
<b>Financial assets</b>								
Cash and cash equivalents	(95)	-	95	-	(76)	-	76	-
Derivatives (hedge accounted)	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>								
Derivatives (hedge accounted)	-	(227)	-	220	-	(316)	-	304
Borrowings:								
- Debenture Stock	84	-	(84)	-	59	-	(59)	-
- Security Stock	52	-	(52)	-	220	-	(220)	-
<b>Total sensitivity</b>	40	(227)	(40)	220	203	(316)	(203)	304

### Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis point (bps) movement. For example, a decrease in 50bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2015: -100bps/+100bps) provided by Bancorp Treasury

### Explanation of other price risk sensitivity

The sensitivity for listed shares has been calculated based on a -10%/+10% (2015: -10%/+10%) movement in the quoted bid share price at year end for the listed shares.

## 34: Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long-term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

## 35: Additional explanation of major variances against budget

### Statement of comprehensive revenue and expense

Rotorua Lakes Council recorded a deficit of \$4.39 million compared to a budgeted surplus of \$0.78 million. The major reasons for the negative variance between actual and budgeted result of \$5.17 million are discussed below.

#### Revenue

Overall revenue was higher than budget by \$1.97 million due to the following:

- Rates - \$0.88 million favourable due to a higher collection of general rates, and less remission on rates penalties than envisaged.
- Subsidies and grants - \$2.92 million unfavourable due to capital subsidies not being received for the Sir Howard Morrison Performing Arts Centre and the TERAX project. Both projects did not proceed during the year.
- Other revenue - \$2.9 million favourable due to higher revenue from fees and charges with largely from admissions, consent fees, LIM fees, inspection fees and dividends received. There was also an increase due to a reclassification in budget for fees charged to CCOs for the provision of support services. These charges were budgeted as an offset to expense, but correct accounting treatment is to recognise them as external income to council and subsequently recognise the costs to generate this income as an external expense to council.
- Gains - \$0.817 million favourable due largely to the disposal of properties that were previously held for the Victoria Street arterial

#### Expenditure

Overall operating expenditure was higher than budget by \$7.14m due to the following:

- Personnel costs - \$0.71 million unfavourable to budget due to the Rotorua Contracting CCO formation being completed one month later than planned. This meant council has recognised one month of unbudgeted staff expenses for those employees that were transferred to Rotorua Contracting on 1 August 2015.
- Loss on disposal/impairment of plant, property and equipment - \$3.87 million unfavourable due to unbudgeted write down of the carrying value of demolished or disposed of fixed assets, with the largest being the community house and city focus buildings.
- Other expenses -\$2.5 million unfavourable due to costs associated with the provision of services to CCOs as highlighted in the other revenue comments, non-cash costs associated with the reduction in fair value of financial assets, and some other expenses higher than budget as they are the associated costs with the increase in revenue from fees and charges.

#### Other comprehensive revenue

The cyclical roading revaluation gain of \$0.5 million was significantly lower than budget of \$24.1 million. This is a non cash movement reflecting the lower increase in the unit cost movements for road construction costs over the past three years.

The unbudgeted gain of \$0.6 million on intangibles is the movement in value on council's emission trading scheme units.

## Statement of financial position

Overall Net assets are \$11.0 million lower than budgeted due to the following:

### Current Assets

- Current assets have an increase in cash and cash equivalents with higher cash held at year-end to provide coverage for payments due in July and to support the 2016-17 capital works programme.
- Debtors and other receivables higher than budget reflecting increased revenue in the 2015-16 year.
- Inventory lower than budget due to the stock sale to Rotorua Contracting as part of the CCO creation.

### Non-current assets

- Non-current assets held for sale were higher than budget reflecting the pending sale of the residential properties purchased originally for the Victoria street arterial project.
- Non-current loans and receivables are higher than budget reflecting the \$16 million of loans held on behalf of Council's CCOs.
- Noncurrent assets are lower than budgeted due to 2015-16 capital spend being below budget and a lower than budgeted revaluation gain on roading infrastructure assets.
- Intangible assets higher than budget due to the increase in value of council's emission trading scheme units and categorisation of terax intellectual property as an intangible asset.
- Investments in other entities higher than budget due to the increase in holdings of Local Government Funding Authority borrower notes.

### Current liabilities

- Payables and deferred revenue higher than budget due to the increase in operating activity over the 2015-16 year and the high completion of capital project work in June that will be due for payment in July.
- Employee entitlements lower than budget due to the transfer of employee liabilities for Rotorua Contracting employees over to the CCO.
- Current borrowings lower than budget due to more debt being placed on longer terms to capitalise on lower long term interest rates and manage interest rate refinancing risk.

### Non-current liabilities

- Non-current borrowings higher than budget due to less debt being held shorter term and debt being held on behalf of CCOs – this is offset by non-current loans and receivable asset.

## 36: Joint Ventures

### 1. Terax 2013 Ltd

The Council's participatory interest in the Terax 2013 Ltd Joint venture is accounted for as a jointly controlled entity. The joint venture agreement incorporates ownership on a 50-50 basis between Rotorua District Council and New Zealand Forest Research Institute.

The Council's interests in this jointly controlled entity are as follows:

	Council and Group	
	\$000 2016	\$000 2015
Current assets	268	110
Non-current assets	-	-
Current liabilities	270	112
Non-current liabilities	-	-
Income	496	305
Expenses	496	305
Group's interest	50%	50%
Council's capital commitments in relation to the joint venture	-	-
Share of joint venture's commitments	-	-
Council's contingent liabilities in relation to the joint venture	-	-
Share of joint venture's contingent liabilities	-	-
Other ventures' contingent liabilities the Council is liable for	-	-



## 2. Terax Limited Partnership

The Council's interest in the Terax Limited Partnership Joint venture is accounted for as a jointly controlled entity. The joint venture partnership agreement incorporates ownership on a 50-50 basis between Rotorua District Council and New Zealand Forest Research Institute.

The Council's interests in this jointly controlled entity are as follows:

	Council and Group	
	\$000 2016	\$000 2015
Current assets	421	189
Non-current assets	112	1
Current liabilities	150	23
Non-current liabilities	-	-
Income	3	2
Expenses	625	283
Group's interest	50%	50%
Council's capital commitments in relation to the joint venture	-	-
Share of joint venture's commitments	-	-
Council's contingent liabilities in relation to the joint venture	-	-
Share of joint venture's contingent liabilities	-	-
Other ventures' contingent liabilities the Council is liable for	-	-

## 37: Insurance

Rotorua Lakes Council is part of a regional collective of local authorities for insurance purposes. Through the collective economies of scale Council has access to the best process and cover.

As at the end of the financial year, Council had the following insurance cover in place. These policies are due for renewal on 1 November 2016:

### Material Damage \$593,537,303

The Council's Material Damage programme is split into two policies, one including Fire losses and one excluding Fire Losses. The Excluding Fire loss policy is based on a full replacement basis and the policy limit is the replacement value of your assets as declared. The Fire Policy has a policy limit of \$70,000,000 for each and every loss, and in the annual aggregate.

### Fine Arts \$39,199,175

This cover is for the total replacement value of art and artefacts owned by Council.

### Commercial Motor Vehicles \$6,058,388

Motor insurance up to the market value of each individual vehicle.

## **Infrastructure \$658,142,939**

This policy has been increased to include strategically placed bridges, and provides cover for 40% of the loss, with the remaining 60% of the loss to be funded by Central Government. This policy has an overall limit for the group of \$140,000,000 with Rotorua District Council having a limit of \$100,000,000 which is in the annual aggregate.

## **Business Interruption \$5,090,000**

\$5 million of cover provided for loss of rents revenue and receivable. A shared \$8 million Additional Increased Cost of Working limit with the Regional collective and provides cover for consequential loss through the physical damage to any property used by Council.

## **Self-insured Assets**

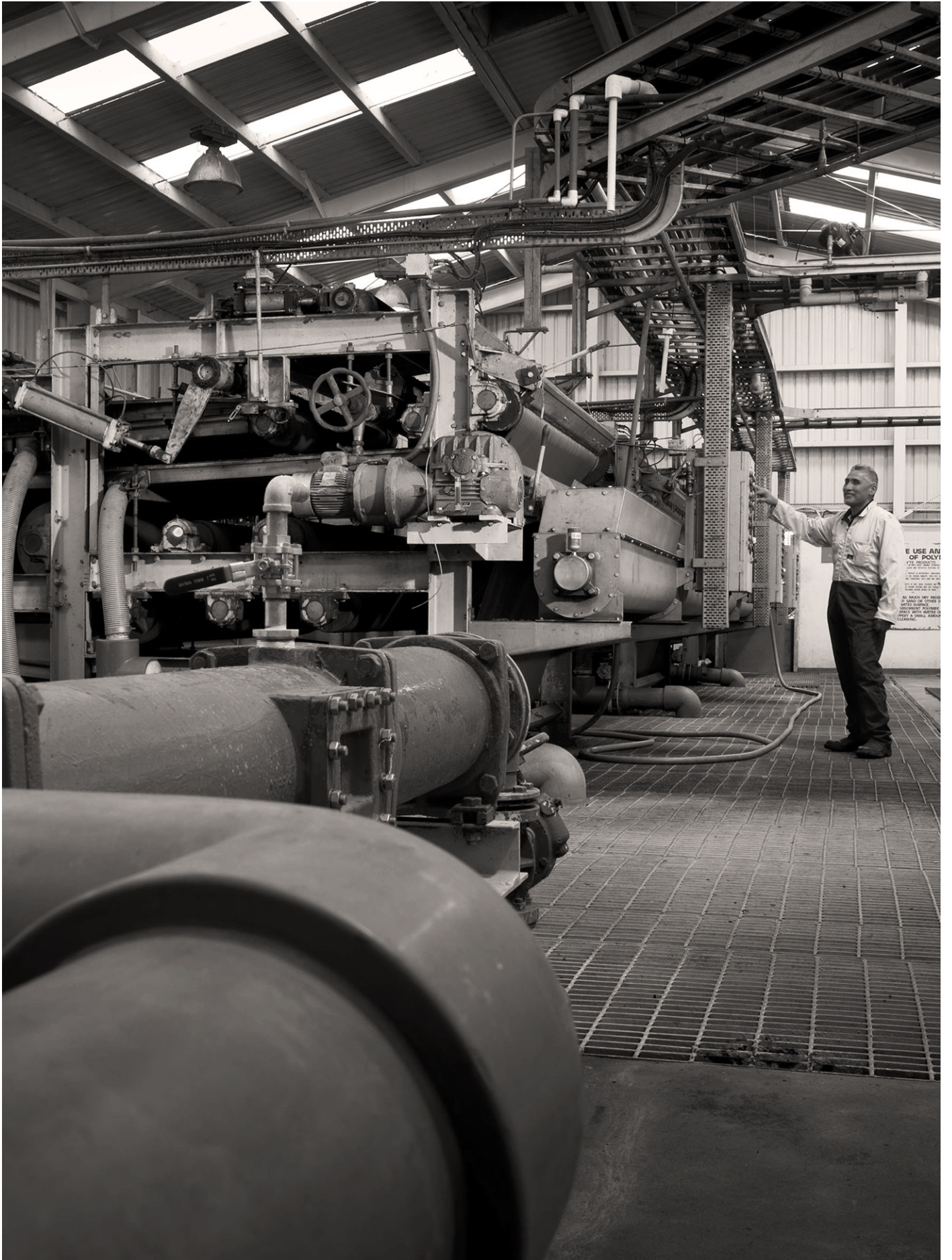
Council senior managers/engineers have determined on a risk based and cost benefit approach to self-insure certain types of assets, where return to full service capability can be managed over time without a significant impact on the community. Such assets with significant value include roading and rural stormwater assets.

## **38: Events after balance date**

On 1 July 2016 the activities of Destination Rotorua marketing and management, including i-Site operations that were carried out by councils' business unit Destination Rotorua, were transferred to Rotorua Economic Development Limited (RED), a Council Controlled Organisation (CCO). This CCO was formerly named Grow Rotorua and is now responsible for these expanded deliverables, in addition to the promotion and support of economic development initiatives within the Rotorua district.

## Funding Impact Statement for whole of Council

	2014/15 Annual Plan (\$'000)	2014/15 Annual Report (\$'000)	2015/16 Annual Plan (\$'000)	2015/16 Actual (\$'000)
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	48,128	45,362	47,019	48,418
Targeted rates	27,893	27,949	32,362	31,840
Subsidies and grants for operating purposes	3,449	3,095	3,236	3,237
Fees and charges	3,864	5,216	6,635	6,502
Interest and dividends from Investment	-	135	50	614
Local authorities fuel tax, fines, infringement fees and other receipts	18,195	15,936	13,362	15,963
<b>Total operating funding (A)</b>	<b>101,529</b>	<b>97,692</b>	<b>102,664</b>	<b>106,574</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	75,981	73,478	75,295	77,513
Finance costs	8,997	9,090	8,291	8,322
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>84,978</b>	<b>82,568</b>	<b>83,586</b>	<b>85,835</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>16,551</b>	<b>15,124</b>	<b>19,078</b>	<b>20,740</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	10,330	3,046	6,727	3,807
Development and financial contributions	158	364	-	133
Increase (decrease) in debt	-	(1,175)	7,000	(3,400)
Gross proceeds from sale of assets	-	3,866	1,000	4,589
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>10,488</b>	<b>6,101</b>	<b>14,727</b>	<b>5,129</b>
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	1,769	1,030	-	-
- to improve the level of service	13,673	6,361	13,540	10,293
- to replace existing assets	15,658	10,405	20,818	11,546
Increase (decrease) in reserves	-	3,276	(553)	2,911
Increase (decrease) in investments	-	152	-	1,119
<b>Total applications of capital funding (D)</b>	<b>31,080</b>	<b>21,225</b>	<b>33,805</b>	<b>25,869</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(20,592)</b>	<b>(15,124)</b>	<b>(19,078)</b>	<b>(20,740)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>(4,041)</b>	<b>0</b>	<b>-</b>	<b>-</b>









section **04**

# Council Controlled Organisations

**ROTORUA  
LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua



# Rotorua Regional Airport Limited

## Overview

Rotorua Regional Airport Limited is a limited liability company which trades as Rotorua International Airport, is fully owned by Rotorua Lakes Council, and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002.

Airport operations are managed by a chief executive reporting to the company's board of directors.

One of the key objectives for the year was to ensure that the airport improves its financial performance and its return to its shareholder.

## Management and governance

The following Directors held office as at 30 June 2016:

	<b>Date of appointment</b>
• Peter Stubbs (Chairman)	21/05/2014
• Wiremu Atetini Kingi	10/12/2002
• Stuart Allan Crosby	22/12/2010
• Dave Foster	12/12/2014

## 2015/2016 Summary

### Total Revenue

Total revenue for the year was -29.6% below budget due to the service funding from Rotorua Lakes Council not commencing until February 2016 instead of 30 June 2015 as budgeted. This was due to the delay of the asset transfer which also did not take place until February 2016.

If Service Funding is excluded then revenue from airport operations was actually right on budget (up 0.2%).

### Total Expenses

Total expenses for the year were -29.3% below the SOI budget. Again, because of the delayed asset transfer, the asset related costs (interest, depreciation and rental property maintenance) did not commence until February 2016 instead of 30 June 2015 as budgeted.

If the asset related expenses (interest, depreciation and rental property maintenance) are excluded then the expenses for airport operations were very close to budget (-1.5% below budget).

## Performance Measures

	2015 ACTUAL	2016 TARGET	2016 ACTUAL	PERFORMANCE
Aircraft movements	7,177	7,400	6,808	NA
Passenger numbers	222,226	215,000	222,983	A
Customer service and facility rating	7.7 out of 10	7.2 out of 10	8.0	A
Number of controllable safety incidents	1.0	1.5	0.0	A
Number of employee injuries (days off work)	0.0	7.5	0.0	A

The airport performed well in all non-financial performance measures except for the number of aircraft movements. These were below target due to:

- Air New Zealand reducing frequency when the 50 seat Q300 aircraft replaced the 19 seat B1900D aircraft on the Auckland-Rotorua sector
- An overall softness in general aviation within New Zealand
- The majority of the Company's landing fee revenue is based on passenger numbers as opposed to aircraft movements so passenger numbers are the more critical measure. Importantly passenger numbers were up 3.7% against target.

	2015 ACTUAL	2016 TARGET	2016 ACTUAL	PERFORMANCE
Total Revenue	2,321,523	4,793,352	3,376,756	NA
Total Expenses	2,271,497	4,744,167	3,353,178	A
Surplus (deficit) after tax	50,026	49,185	23,578	NA
Capital expenditure	96,036	47,172,218	47,172,218	NA

For further information refer to [www.rotorua-airport.co.nz](http://www.rotorua-airport.co.nz)

# Rotorua Contracting Limited

## Overview

Rotorua Contracting Limited is a limited liability company fully owned by Rotorua Lakes Council, and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

Rotorua Contracting Limited operations are managed by a chief executive reporting to the company's board of directors.

The nature of the business is constructing, maintaining and managing infrastructure and facility assets. Providing high quality cost effective services for the Council in the following areas: three water, city cleaning, refuse collection, parks operations, civil works, fleet management and supply of nursery products.

## Management and governance

The following Directors held office as at 30 June 2016:

- Jan Bolton
- Ian Boyd
- Leith Comer
- Israel Hawkins
- John McRae

## Key Achievements

2016 is the first year of operations for the business Rotorua Contracting business as a C.C.O and as such there are no direct 2015 comparative performance measures for this year. Overall the business achieved ten of its fourteen targets for the year listed in the 2015/16 Statement of Intent, while narrowly missing the other four.

For the 2016 year the main financial objective was to target a breakeven result, as reflected by the zero profit target. The final results show the company made a small loss of \$65k for the year which means that, although we did not achieve our specific target of zero, we did come close as this final result is equivalent to less than half a percent of our total turnover.

Similarly, for other financial metrics reported as not achieved, the actual results, while not hitting the specific target numbers set, were in fact very close to the targets. It should be noted that the actual results for each of the various financial ratios measured, while not in line with the targets originally set, are in line with expectations developed and agreed during the year, reflect the impact of the various decisions taken in consultation with the shareholder regarding debt and equity positions since the start of the year.

- Achieving revenue target
- Operate the business in a way that generates appropriate financial returns in accordance with Shareholder objectives
- Being a good employer in providing a safe work environment that recruits, fosters and retains competent, motivated, committed and productive employees

## Performance Measures

Target	Measure	Timing	Status
<b>Financial Performance Targets</b>			
Revenue \$13,500,000	Revenue from Statement of Financial performance for the year ending 30 June 2016	By 30th June 2016	Achieved
Net Profit after Tax \$0	Profit from Statement of Financial performance for the year ending 30 June 2016	By 30th June 2016	Not Achieved
Return on Average Equity 0%	Profit from Statement of Financial performance for the year ending 30 June 2016 against Equity from statement of financial position	By 30th June 2016	Achieved
Shareholder Funds/Total Assets 40%	Equity against Total Assets from statement of financial position	By 30th June 2016	Not Achieved
Equity \$1,600,000	Equity from statement of financial position	By 30th June 2016	Not Achieved
Debt to Debt plus Equity 60%	Debt against Equity from statement of financial position	By 30th June 2016	Not Achieved
Earnings Yield 0%	Earnings against Share Value	By 30th June 2016	Achieved
Dividend Yield 0%	Dividend against Share Value	By 30th June 2016	Achieved
<b>Key Milestones</b>			
Client Satisfaction	Establish a base line client satisfaction rating for the business that at least meets a satisfactory standard from the client's perspective	By 30th June 2016	Achieved for Utilities Division. Working on other divisions in 2017 financial year
ISO 9001 Quality Management	Maintain Accreditation	By 30th June 2016	Achieved
Health and Safety – ACC Workplace Safety Management Plan (WSMP)	Obtain Accreditation for Rotorua Contracting targeting a tertiary level accreditation.	By 30th June 2016	Achieved
Health and Safety – pursuit of our ZeroHarm workplace vision	Achieve a 1/3rd reduction in Lost Time Injury Frequency Rates (LTIFR) versus 2014-15 levels	By 30th June 2016	Achieved a 63% reduction against 2014-15 business unit baseline data.
Staff Engagement	Establish a base line staff engagement rating for the business, against which the culture and engagement of staff can be measured going forward.	By 30th June 2016	Not Achieved. The survey process to determine an engagement rating was started in June 2016 and completed in July 2016. The engagement capital baseline from this survey was established at 49%.
Growth	Win at least \$0.5M of contracted works on top of the core services provided to Rotorua District Council for the first year of operations.	By 30th June 2016	Achieved



# Grow Rotorua Limited

## Overview

Grow Rotorua is an independently governed council controlled organisation that was formed in June 2012 for a three year term in order to implement the Rotorua Sustainable Economic Growth Strategy. Grow Rotorua Ltd is 100% owned by Rotorua Lakes Council.

Structure of the Company's operations, including governance arrangements.

The following were board members at 30 June 2016:

	<b>Date of appointment</b>
• Peter Stubbs - Chairperson	11 May 2016
• Kiri Atkinson-Crean	11 May 2016
• Michael Barnett ONZM	
• Quinton Hall	11 May 2016
• Bruce Thomasen	11 May 2016

Plus two full time staff who support the company in delivering its objectives. The Company has designated itself as a public benefit entity (PBE).

The following board members retired during the year:

	<b>Date of retirement</b>
• John Green QSM - Chairperson	1 May 2016
• Anthony Marks	11 May 2016
• Warren Parker	5 September 2015
• Jane Nees	11 May 2016
• Gina Rangī	30 June 2015

## Performance Measures

Target	Measure	Timing	Progress as at 30 June 2016
Total estimated capital to be invested in new economic projects of which two thirds are in RLC Flagship Projects.	Combined \$30m over 6 projects	By 30 June 2016	Combined \$45m over 4 projects. All flagship projects. Negotiations with investors for further \$69m over 4 projects. All flagship projects. Additional Flagship Projects progressing: Lakefront Hot Springs and Spa (\$20m). Wood First Projects (\$30m) – supporting architects working on 3 Rotorua Projects. Golf Tourism (\$6m) – economic analysis completed. Cycle Trail (240km) – feasibility study and economic analysis completed. Tourism Destination Development – Terry Stevens visit and report completed. Wood First Conference – completed and 'Way Forward' under development. International Education – market
Total number of new jobs created as estimated by investors to operate projects identified above	120	By 30 June 2016	166 FTEs estimated. Pipeline projects 130 FTEs estimated.

The 10yr economic impact for Rotorua	\$200m	By 30 June 2016	\$25m/annum, \$250m / 10 years Pipeline projects \$75m / annum, \$750m / 10 years International Education grown \$10m / annum, \$100m / 10 years
An effective Website presence as part of RotoruaNZ.com that includes the portfolio of investment opportunities, key sector background information and studies, links to 'live/work/study' content	Completed	December 2015	Achieved
The face value of grants / funding obtained for local projects	\$2m	By 30 June 2016	Progress not achieved. \$1.225m grants/funding obtained.
Commitment by providers to new training to underpin new investment	2		Ongoing. 3 underway: 1. Iwi Trust nursery development with Scion (NZ Mauka Co.) 2. Beekeeping courses with Waiariki progressing (Waiariki Agriculture Unit) 3. Biological Farming Systems Waiariki (Dr Hugh Jellie/Kevin Uncles)
That the Company is operating effectively	The Business Plan is aligned and approved with budget by the Board.	By 30 <sup>th</sup> June 2015	Achieved
Compliance	The Audit of the Company does not highlight any material issues.	Annually	Achieved for 30 June 2015
Business operations	Effective business strategies are in place to ensure that the Company operates within its revenue and cashflow limitations.	Review monthly by the Board and Management and Audited annually by Audit NZ.	Achieved. Continued support obtained from Rotorua Lakes Council for the year ending 30 June 2017.
Capital invested in new projects	\$15m	By 30 June 2016	Achieved
New jobs created (1)	120	By 30 June 2016	Achieved
10 year economic value (2)	\$150m	By 30 June 2016	Achieved
Flagship Projects (3)	4	By 30 June 2016	Achieved

# BOP LASS Ltd

## Overview

Rotorua Lakes Council is also a one-ninth shareholder in Bay of Plenty Local Authority Shared Services Ltd (BOP LASS). BOP LASS was incorporated during 2007/08 to investigate, develop and deliver shared services, joint procurement and communications for the participating councils.

BOP LASS delivers benefits through improved levels of service, reduced costs, improved efficiency and / or increased value through innovation. Joint procurement includes procurement of services or products by two or more councils from an external provider.

The Board has reviewed the opportunity for BOPLASS to be involved in some of the areas of more significant spend for the councils and have identified areas that are not already covered by other work streams. Solid Waste has been identified as an area of opportunity and BOPLASS has begun scoping the opportunities for councils to work more closely together.

## Performance Measures

Target	Measure	Result	Narration
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.	Achieved	<p>Joint procurement initiatives undertaken for:</p> <ul style="list-style-type: none"> <li>Internal Audit Services – appointment of internal audit services provider for the councils. Access to improved and consistent levels of service and best practice risk management and innovation at significantly reduced costs through a collaborative agreement.</li> <li>EFTPOS Services – A BOPLASS collective agreement for EFTPOS services and hardware providing discounted pricing to the participating councils. Councils moved to key account status which includes dedicated account management and premium service levels.</li> <li>Natural Hazard Insurance – Investigation of additional opportunities to improve councils' insurance protection while also mitigating exposure and risk. BOPLASS project underway to insure 100% of the first \$10M of any natural hazard loss to councils' infrastructure to reduce potential exposure/shortfall of the non-guaranteed 60% portion provided from Central Government.</li> <li>Insurance Loss Modelling – Appointment of a provider through BOPLASS to establish the material damage insurance loss estimates for council owned assets in the event of a significant natural disaster. Information helps councils identify areas at risk, e.g. low lying residential areas/council assets, and how to best manage them.</li> <li>2015-16 Aerial photography – managed tender for new collaborative flying programme, providing savings in capture and production of imagery.</li> <li>Section 17a reviews – BOPLASS appointed provider to conduct workshops and facilitate collaborative reviews of Section 17a process and opportunities for BOPLASS councils. Templates and outputs shared with Waikato councils.</li> <li>Thomson Reuters/Brookers – collective subscription services. Investigated in conjunction with Waikato LASS but the benefits that could be achieved were deemed to be un-worthwhile for the effort required.</li> </ul>

Target	Measure	Result	Narration
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	<p>Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking.</p> <p>0.25 FTE resource and expertise assigned to assist councils in shared services developments and projects.</p>	Achieved	<p>37% of IT Manager's time committed directly to individual council support – measured by fortnightly timesheets.</p> <p>Support provided to councils in development of the following services:</p> <ul style="list-style-type: none"> <li>• Inter Council Network (ICN) Management – monitoring and management services for ICN established, including design and architecture, monitoring services and support services – ensuring reliability of network for councils and delivery of services.</li> <li>• Collaboration Portal – Microsoft negotiations, development of hosting environment, licensing requests for individual councils, account creation and monitoring of accounts for councils and individual users.</li> <li>• Health and Safety Advisory Group – A BOPLASS advisory group has been established to identify and develop collaborative health and safety projects and to share policies, training and information. This collaboration assisted in supporting councils' readiness for the new Health and Safety at Work Act. Some projects are being undertaken in conjunction with Waikato LASS.</li> <li>• Radio Telephony strategy – engagement with BOPLASS councils and external agencies to develop shared RT services and a regional strategy.</li> <li>• Support and development of broadband solutions for Opotiki District Council.</li> <li>• GIS services – collaboration in development of council and regional GIS services.</li> <li>• After Hours Phone Services – BOPLASS has continued to support the development of a regional after-hours phone service, with Tauranga City Council now providing this as a shared service to several BOPLASS councils. The service is cost effective, local government centric and provides the advantage of being able to access other councils' information bases and directly input service requests into councils' systems.</li> <li>• Regionally based Data Centre – supporting councils and local economic development agencies investigation into a local data centre.</li> <li>• On-line Services – BOPLASS is working with councils to further develop on-line services, with a fundamental principle of developing similar user experiences across the councils regardless of the underlying software used by each council.</li> <li>• Video conferencing support and development of new services for individual councils.</li> </ul>
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	<p>All NZ councils are made aware of the Collaboration Portal and its benefits.</p> <p>Portal is operational outside of the LASS groups with a minimum of ten additional councils having utilised the portal.</p>	Achieved	<p>Collaboration portal further developed to include Activity Areas for councils to share documentation, information and training information.</p> <p>Ongoing training provided to councils to ensure understanding and increased uptake.</p> <p>Marketing flyer and proposal templates developed and circulated to councils outside of BOPLASS.</p> <p>National awareness of Collaboration Portal created through BOPLASS presentation to SOLGM committee.</p> <p>LGNZ – national local government body are now registered Portal users.</p> <p>As at 30 June 2016, 21 councils outside of the BOPLASS councils had joined the portal in the last 12 months and have licensed users with access to the Collaboration Portal. Additional councils have subsequently joined as a result of the 2015/16 marketing.</p>

Target	Measure	Result	Narration
Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors.	Achieved	Contracts negotiated and/or renewed for: <ul style="list-style-type: none"> <li>• Video Conferencing Maintenance and Services.</li> <li>• ESRI Enterprise Licensing Agreement renegotiated and renewed.</li> <li>• Printer/Copier agreement review initiated.</li> <li>• GIS software – Geocortex Essentials, X-Tools, NZAA.</li> <li>• Print Media Copyright Agency (PMCA) contract renewed.</li> <li>• Media Monitoring services contract renewed.</li> </ul>
Review governance performance and structure to ensure it supports BOPLASS' strategic direction.	Affirmative feedback received from shareholding councils at least annually.	Achieved	<ul style="list-style-type: none"> <li>• Strategic reviews completed by the Board.</li> <li>• Independent director reappointed.</li> <li>• Board structure altered to include position of independent Chair.</li> <li>• Board reviews of operations governance structure and performance.</li> <li>• 2016-17 Statement of Intent, including governance changes, accepted by all shareholding councils.</li> </ul>
Communicate with each shareholding council at appropriate levels.	At least one meeting per year.	Achieved	Executive-level meetings held with councils.
Ensure current funding model is appropriate.	Performance against budgets reviewed quarterly. Company remains financially viable.	Achieved	<ul style="list-style-type: none"> <li>• Council contributions levied.</li> <li>• Contributions received from activities producing savings.</li> <li>• Vendor rebates collected.</li> <li>• Monthly and quarterly performance reviewed.</li> </ul>

\* New targets 2015/16



# Waikato LASS

## Overview

The Local Authority Shared Services Ltd, incorporated in December 2005, was established as a Control Controlled Organisation under the Local Government Act for the 13 Waikato/Rotorua councils. Rotorua Lakes Council has an approximately 7% shareholding in the company.

Over the period the company has been involved in:

- Internal Audit Services
- Laboratory Testing Services
- Information Technology Professional Services Panel
- Waikato Regional Aerial Photography Syndicate (WRAPS)
- All-of-Government (AoG) and Syndicated Contracts
- N3
- Insurance
- Shared Valuation Data Service (SVDS)
- Waikato Regional Transport Model (WRTM)
- Contractor Health and Safety Pre-qualification
- EECA Collaboration Agreement
- Waikato GIS Data Portal
- Shared Health and Safety Training
- Shared Insurance and Risk Management Forum

## Performance Measures

Target	Method	Measure	Outcome
PROCUREMENT: Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.	Achieved: Three new procurement initiatives have been implemented (Laboratory Services (5-year term), IT Professional Services Panel (3- year term, with a 2-year right of renewal), Internal Audit Services (3-year term).
		Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.	Achieved: The Laboratory Services contract is expected to save over \$170,000 p.a. if all of the eligible councils participate. The IT Professional Services Panel provides discounted hourly rates of between and 0 – 50% off market rates, averaging 10.4% over the 22 suppliers. The Internal Audit Services contract provides discounted hourly rates of between 25 – 30% off market rates, plus a number of additional, value added services at no cost. The fees will remain unchanged for 3 years.
		New suppliers are awarded contracts according to the LASS Financial Delegations Policy.	Achieved: The Laboratory Services contract is an extension of an existing Waikato Regional Council contract, which as originally competitively tendered. Both of the other contracts were publicly tendered and awarded in accordance with the LASS Financial Delegations Policy.
COLLABORATIVE PROJECTS: Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	The focus is on shared services which will benefit all councils.	A minimum of three priority projects for collaboration are identified per annum.	Achieved: Five new collaboration projects were implemented during 2015/16: EECA Collaboration Agreement; development of a regional GIS Data Portal; transfer of the Waikato Building Consent group into LASS; the permanent establishment of RATA within LASS; the transfer of Future Proof into LASS.
		If considered of value, business cases are developed for approval by the Board, and the projects are implemented.	Achieved: All proposals were approved following the consideration of a report to, and a resolution of, the LASS Board.

Target	Method	Measure	Outcome
EXISTING LASS CONTRACTS: Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	The LASS Contracts Register is maintained and managed.	Achieved: The Contracts Register is up-to-date.
		Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	Achieved: The NZ Post contract has been extended for 2 years on the existing terms and conditions.
CASHFLOW: The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly. The LASS Board reviews the financial statements quarterly.	Monthly financial statements show a positive cashflow position.	Not achieved: Cash flow for the year shows a decrease in total cash held of \$10,944.  The company still maintains a safe cash position, with cash, cash equivalents and bank account balances at the end of June 2016 being \$682,673.
COST CONTROL: Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly. The LASS Board reviews financial statements quarterly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved: Actual expenditure was 19% favourable compared to budget. Reports on the financial position were considered at WLASS Board meetings on 21 August and 3 November 2015, and on 15 February, 1 April and 10 June 2016.
REPORTING: Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the LASS Board every meeting. One 6-monthly and one Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of the LASS to the Shareholders every six months. Note that every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the LASS are being adhered to.	Achieved: The 2015/16 LASS Annual Report is being provided. The 6-monthly report was sent to all shareholders on 27 January 2016.
WAIKATO MAYORAL FORUM: The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum.	Mayoral Forum projects shall be managed financially through the LASS.	The Mayoral Forum is regularly updated on the progress of each approved workstream.	Achieved: Progress reports were provided to the Mayoral Forum on 7 September and 16 November 2015, and 22 February and 18 April 2016.
		Updates on Mayoral Forum projects shall be co-ordinated by the LASS Chief Executive.	Achieved: All approved invoices were paid by the 20th of the month following their receipt.
Note: The current approved workstreams are			
<ul style="list-style-type: none"> <li>• Rooding (RATA)</li> <li>• Economic Development</li> <li>• Regulatory Bylaws and Policies</li> <li>• Waters</li> <li>• Waikato Spatial Plan</li> </ul>			

Target	Method	Measure	Outcome
SHARED VALUATION DATA SERVICES (SVDS): The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS. Contract Manager monitors performance of contractor and reports quarterly to the SVDS Advisory Group.	The SVDS is available to users at least 99% of normal working hours.	Achieved: SVDS was available to users for more than 99% of normal working hours
		All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.	Achieved: No capital enhancement work was undertaken during 2015/16.
		The SVDS Advisory Group meets at least 6-monthly.	Achieved: The SVDS Advisory Group met five times - on 6 August and 5 November 2015, 29 January (teleconference), 10 March and 2 June 2016.

# Terax 2013 Ltd and Terax Limited Partnership

## Overview

Rotorua Lakes Council and the New Zealand Forest Research Institute Ltd (Scion) have created Terax Limited Partnership (the Partnership) and Terax 2013 Ltd (the Company).

The Partnership has been formed under the Limited Partnership Act with the council and Scion as limited partners and providing investment funding (the Investors).

The purpose of the Partnership is to commercialise the TERAX™ organic waste treatment process and thereby generate returns to its investors.

The process destroys sewage treatment plant sludge and other organic wastes that are typically landfilled. It combines hydrothermal and biological processing to break down complex organic materials into simpler molecules. The consequence of this process is elimination of the organic solids content of the feed material. The council and Scion have both invested in maturing this process targeting specific application to urban waste water treatment and have formed an Unincorporated Joint Venture for this purpose. The Joint Venture was successful in attracting grants from the Ministry for the Environment Waste Management Fund to evaluate the process at pilot plant level. This work has been successful and the potential for commercial application identified for application to the council's Waste Water Treatment Plant and the much wider application of treating municipal waste streams both in New Zealand and internationally.

## Key Achievements

- Appointed a new CEO of Terax Partnership in November 2015
- Terax® waste conversion technology won the New Zealand Innovator of the Year award in the clean tech category in December 2015
- Strengthened the Intellectual Property portfolio by having it's Patent under examination in China and Australia and under application in 8 other territories
- Engaged with two potential new customers in New Zealand
- Engaged with several potential new investors in New Zealand
- Engaged with several new customers and potential investors in China
- Started R & D work on a modified Terax® waste conversion process to treat municipal solid waste at Rotorua alongside Biosolids
- Continued financial modelling and design work for the RLC Build Own Operate plant
- Applied for waste minimisation funding in preparation for the build of the RLC plant

## Terax Limited Performance Measures

Target	Measure	Result	Narration
Intellectual Property strengthened.	International patents granted in key countries/regions (Australia, Canada, China, European Community, Japan, Malaysia, Singapore, South Korea, USA)	Achieved	<ul style="list-style-type: none"> <li>• New Zealand Granted.</li> <li>• China and Australia under examination.</li> <li>• Hong Kong, Canada, European Community, Japan, Malaysia, Singapore, South Korea, USA applied for.</li> </ul>
	An additional patent application has been filed in New Zealand for a modified TERAX process suitable for plants with existing anaerobic sludge digestion.	No data available	Utilising existing process patent means no new patent is necessary.
Maximize the value of the Limited Partners' investment and minimize their on-going costs.	Secure investment from a strategic investor and operating partner that provides some near-term return to the Limited Partners and bridges medium-term operating revenue shortfalls.	Not achieved	In Progress – Expected to be completed by October 2016
Licences taken up	No less than 2 end user licences within the Local Government sector or wider industry end users.	Achieved	Licenses for Water and Solid Municipal Waste taken up by RLC.
Licences taken up	No less than 4 end-user licences in place	No data available	N/A Business Model changed from licensing model.
Technology extended to municipal solid waste	MfE funded development programme completed; basic engineering and cost estimate completed for a TERAX system to treat municipal solid waste	Achieved	Complete.

## Terax 2013 Limited Performance Measures

Target	Measure	Result	Narration
The company is operating efficiently	The budget is adopted by the Board and the investors advised via the SOI of expected investment requirements over three year timeframe.	Achieved	<p>The draft Budget was adopted by the Board and accepted by shareholders.</p> <p>The SOI was presented to Council at the June Strategy and Finance committee and March Scion Board. Final versions of the SOI, Business Plan and Budget were approved and sent to Limited Partners on 30 June.</p>
Compliance	The Audit of the Company does not highlight any material issues	Achieved	Completed with no material issues highlighted.
Business operations	Effective business strategies are put in place to ensure that the investors receive an appropriate return on their investment	Achieved	Complete Business Plan Approved









section

05

# Disclosure statement

**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua





# Disclosure statement

Annual report disclosure statement year ending 30 June 2016

## What is the purpose of this statement?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks, to enable an assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The council is required to include this statement in its Annual Report in accordance with Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

## Rates affordability benchmark

The council meets the rates affordability benchmark if:

- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

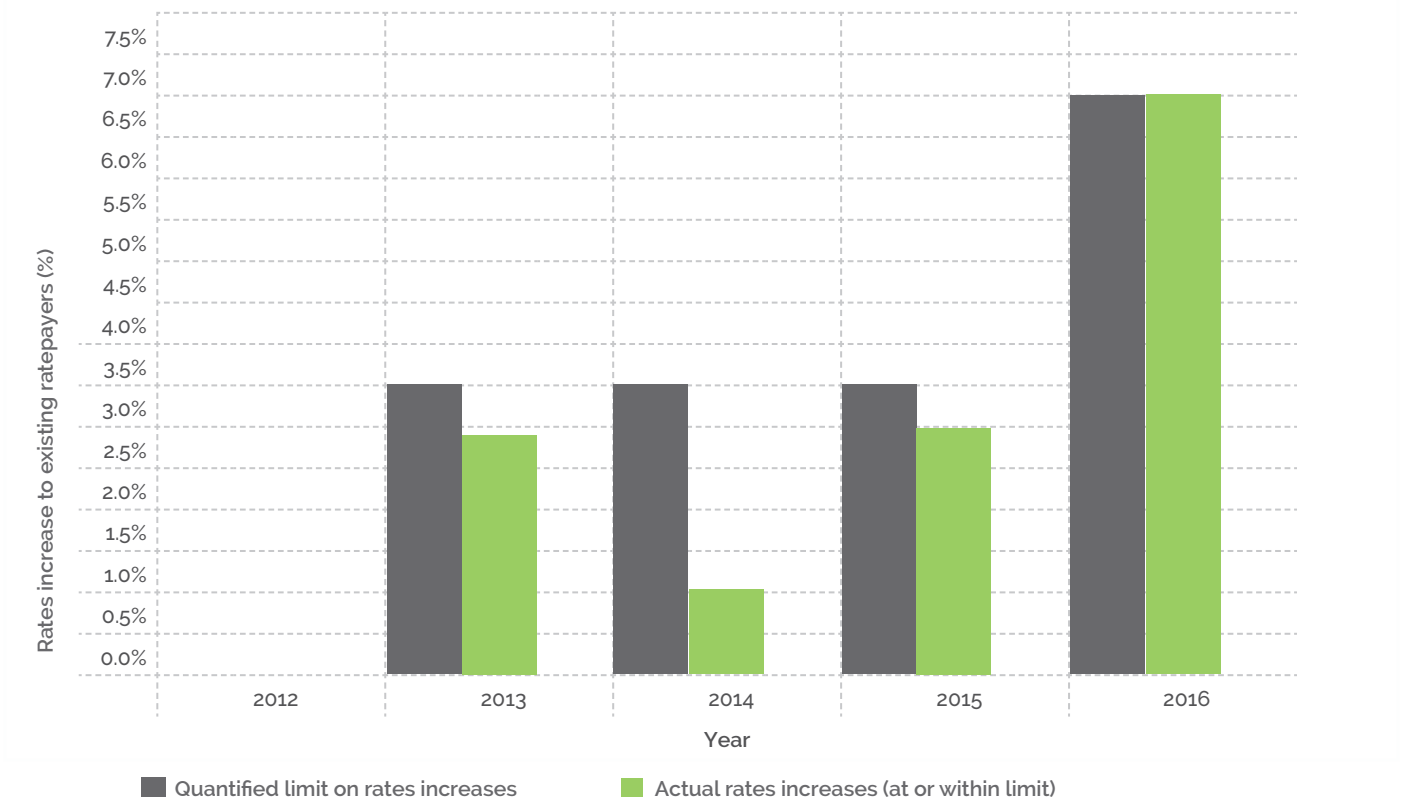
### Rates (revenue) affordability

The following graph compares the council's actual rates revenue with a quantified limit on rates contained in the financial strategy, included in the Long-term Plan. The quantified limit is that council will limit total rates as a proportion of total revenue to less than 80% (previously 70%).



### Rates (increases) affordability

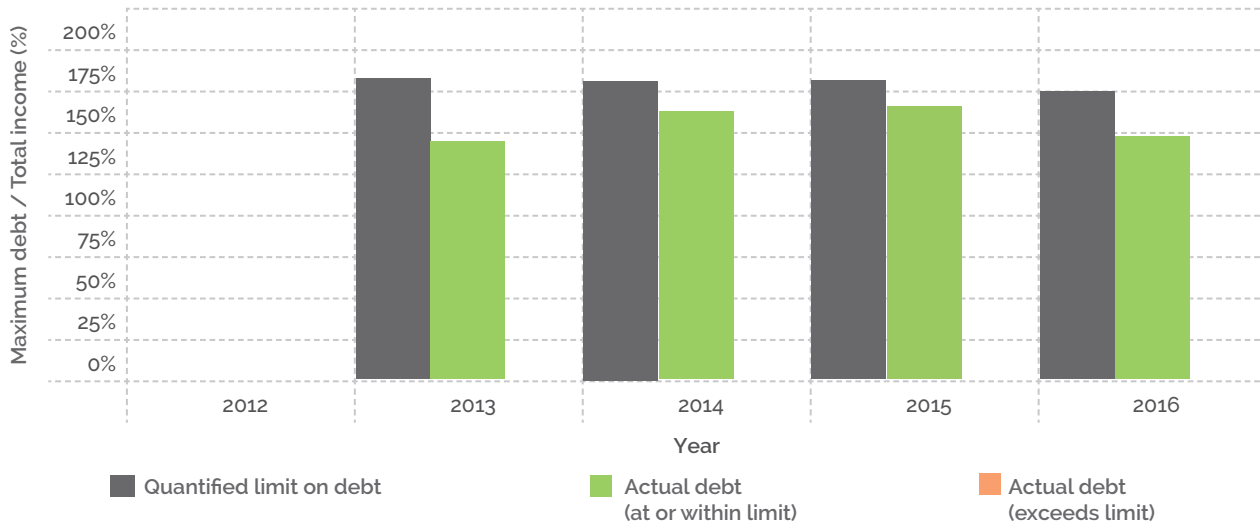
The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Long-term Plan 2015-2025. . The quantified limit is a one-off 7% increase in the first year, and from year two onwards at the prevailing rate of inflation applied to our cost base (previously capped at 3.5%).



## Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

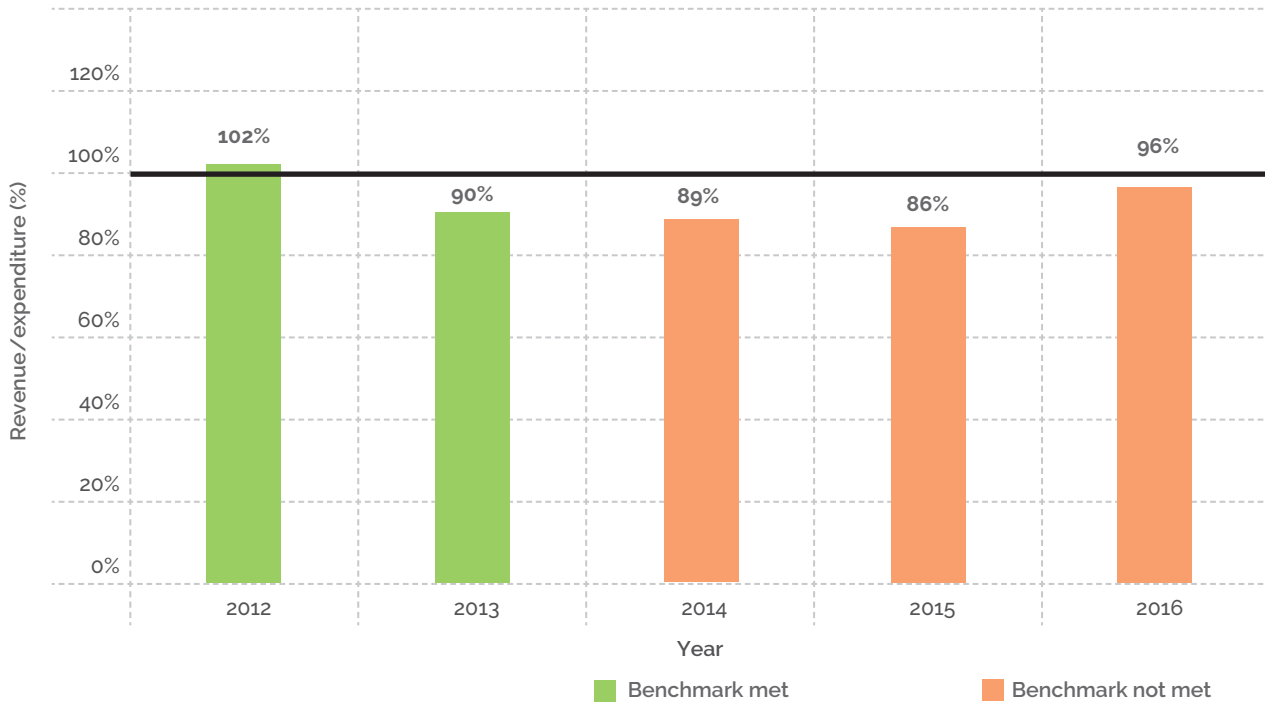
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that total debt will be lower than 175% of total income (previously 180%).





## Balanced budget benchmark

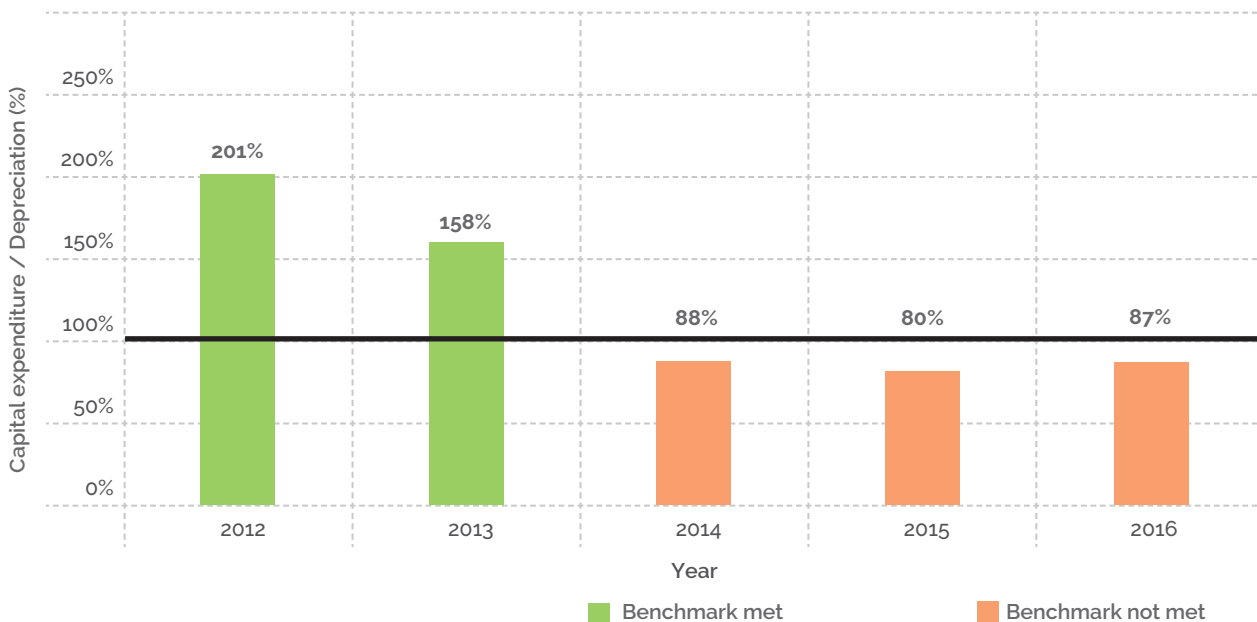
The following graph displays the council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment). The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Further on from the 2015 financial year a large contributing factor was the loss on disposal and impairment of property, plant & equipment of \$ 3,872m. A large proportion of this relates to the writing off further prior years capital expenditure that has not resulted in the creation of an asset. An adjusted result excluding this figure would be 99%.

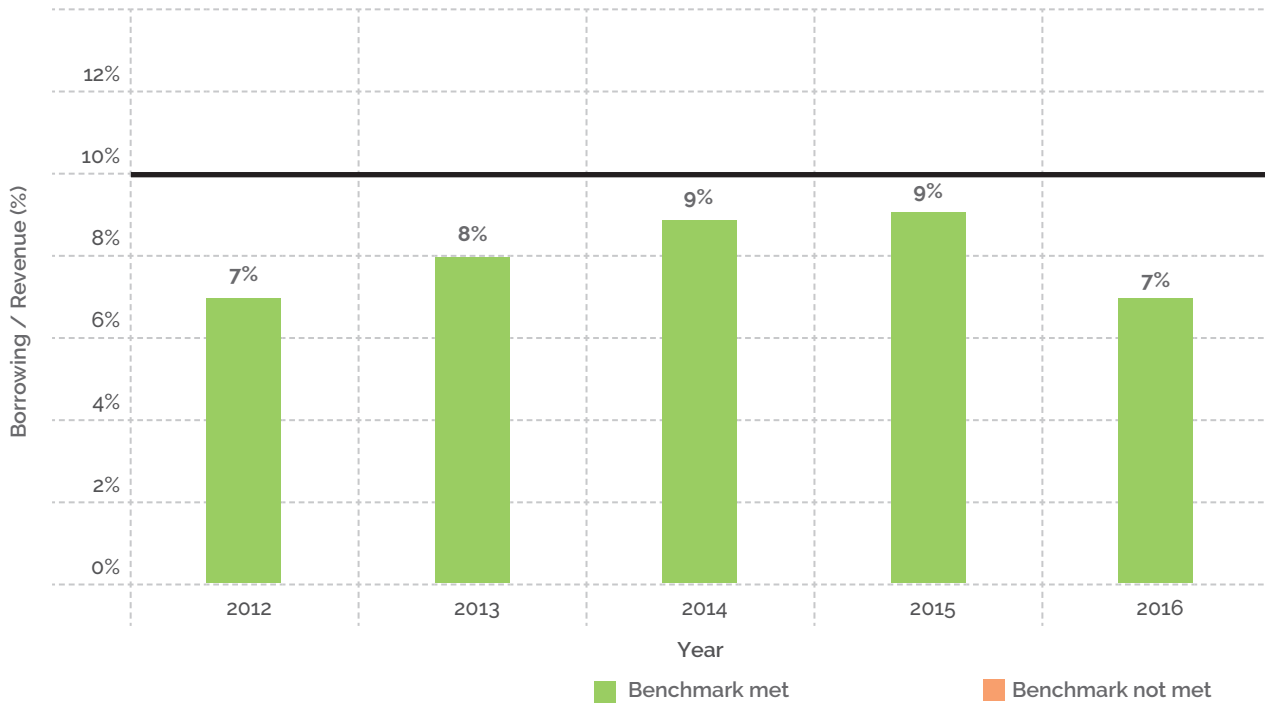
## Essential services benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



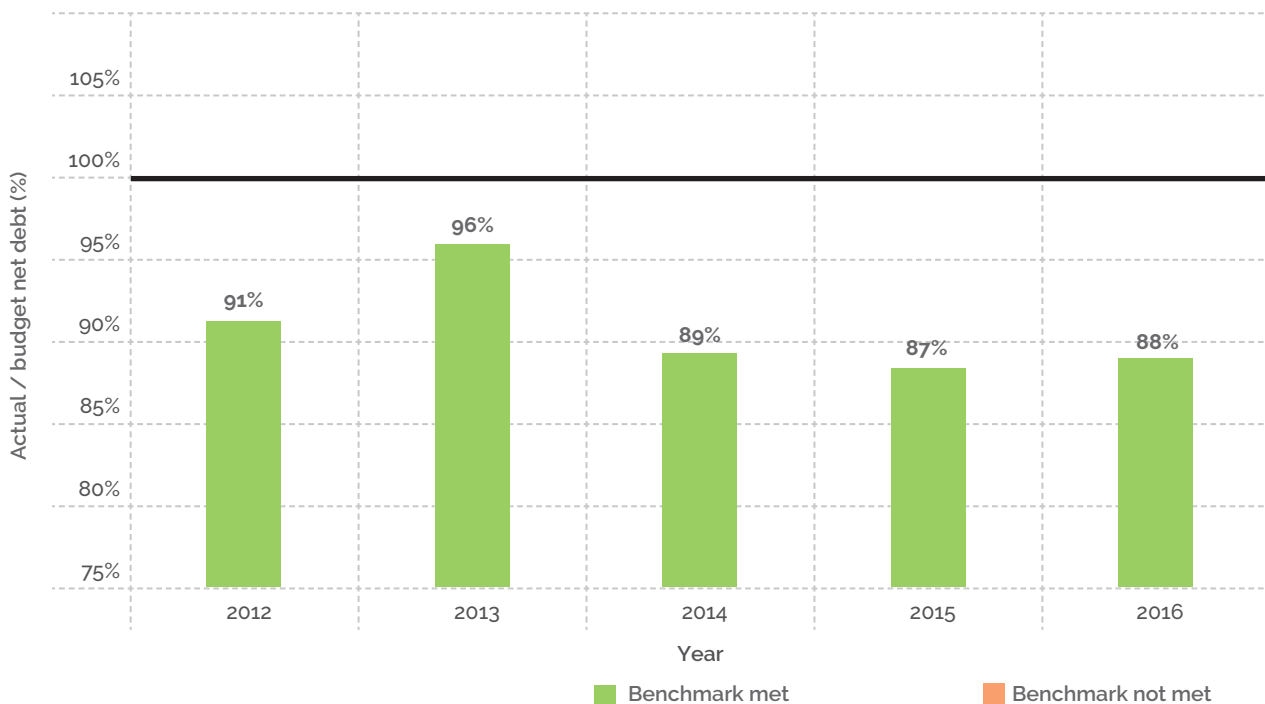
## Debt servicing benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the council's population will grow [more slowly than] the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than [10%] of its planned revenue.



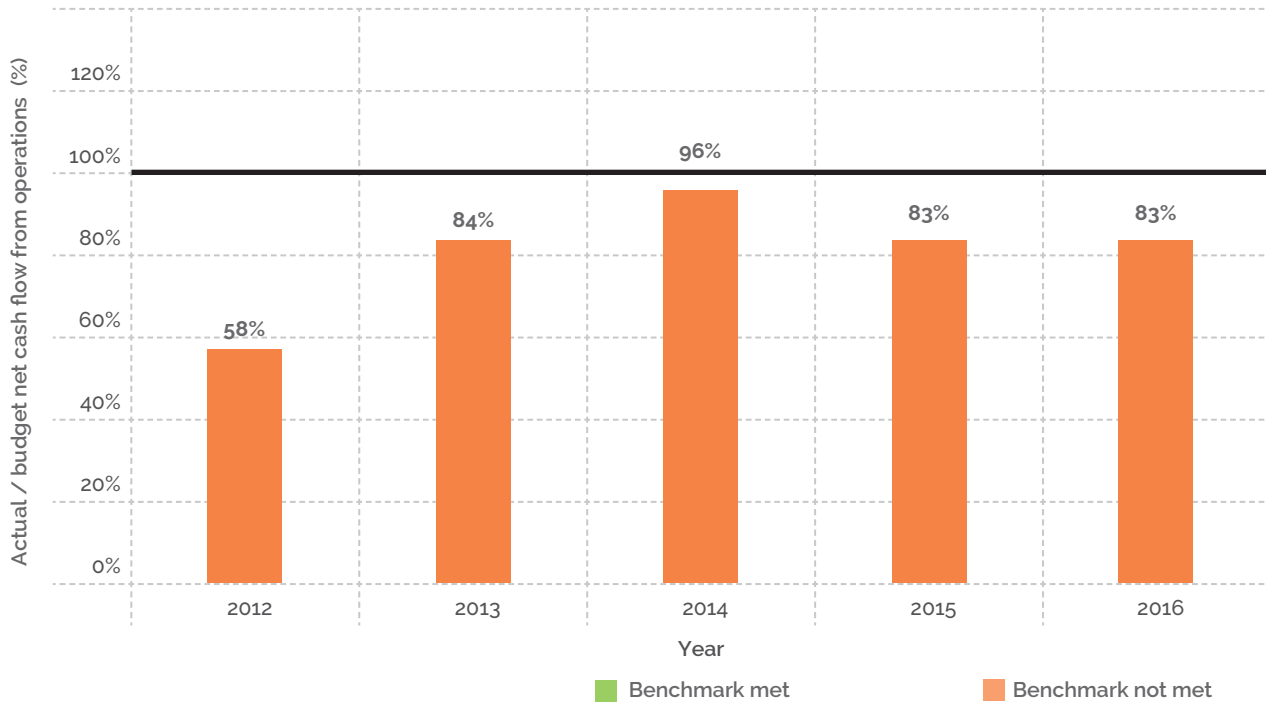
## Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



## Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



section

06

# Auditor's Report

**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua









# Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## **Independent Auditor's Report To the readers of Rotorua District Council and group's annual report for the year ended 30 June 2016**

The Auditor-General is the auditor of Rotorua District Council (the District Council) and group. The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the District Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the District Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

### **Opinion on the audited information**

In our opinion:

- the financial statements on pages 77 to 155:
  - present fairly, in all material respects:
    - the District Council and group's financial position as at 30 June 2016;
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Reporting Standards; and
- the funding impact statement on page 156, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long-term plan; and
- the statement of service performance on pages 20 to 70:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and

- complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 30 to 68, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council and group's Long-term plan; and
- the funding impact statement for each group of activities on pages 30 to 68, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long-term plan.

### **Compliance with requirements**

The District Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 30 to 181 which are required by the Local Government (Financial Reporting and Prudence Regulations 2014) which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and group's audited information.

Our audit was completed on 26 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the audited information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;

- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported statement of service performance within the District Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the District Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Council**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust deed and summary annual report, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the District Council or any of its subsidiaries.



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







ANNUAL REPORT 2016

**WE**  
**TOGETHER**  
LOGETHEB  
ME



ANNUAL REPORT 2016