

TATAU

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ROTORUA
LAKES COUNCIL
Te kaunihera o ngā roto o Rotorua

ANNUAL REPORT SUMMARY

2016

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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



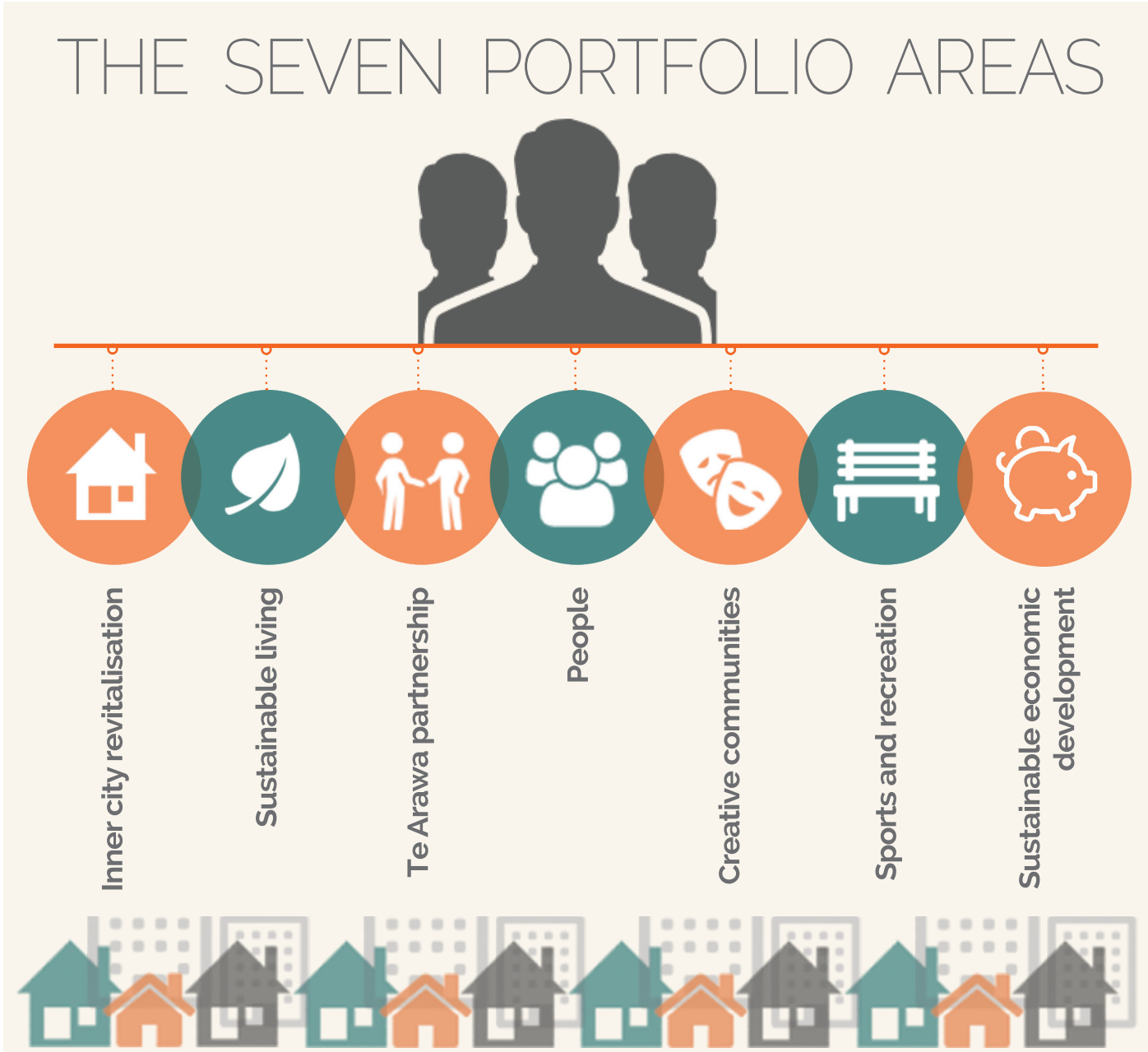
Develop a vibrant city heart that attracts people and activity

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.



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

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.

Develop a vibrant city heart that attracts people and activity

WHAKAPUAWAI I 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.

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.

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.



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.

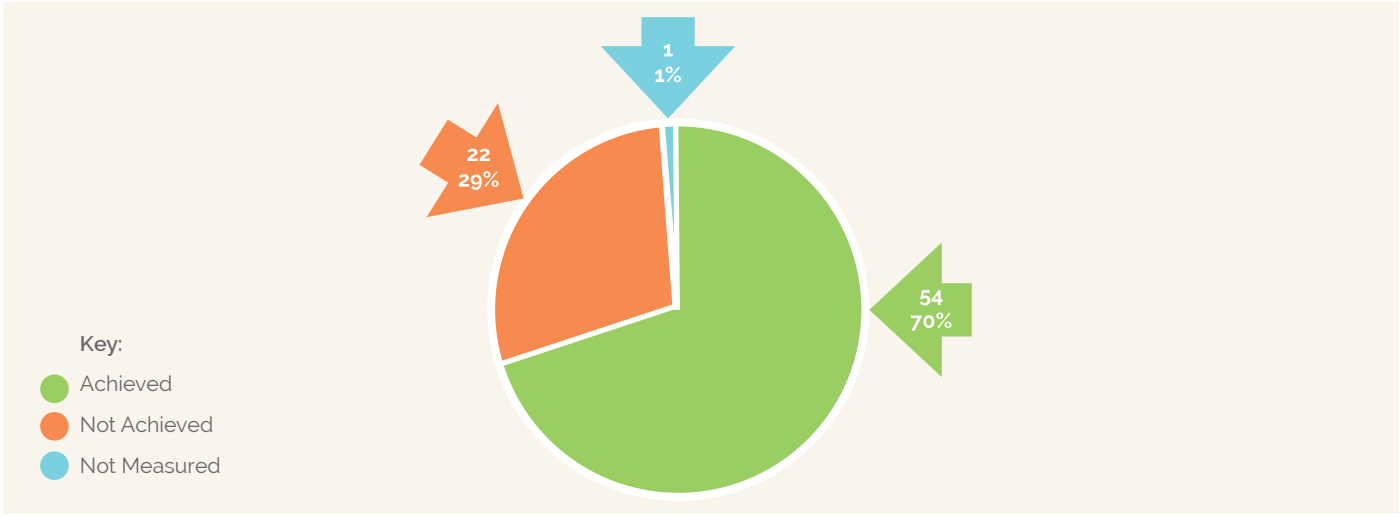
Detailed information for the level of service and each performance target can be viewed under the activity sections included within this annual report.

Summary movement

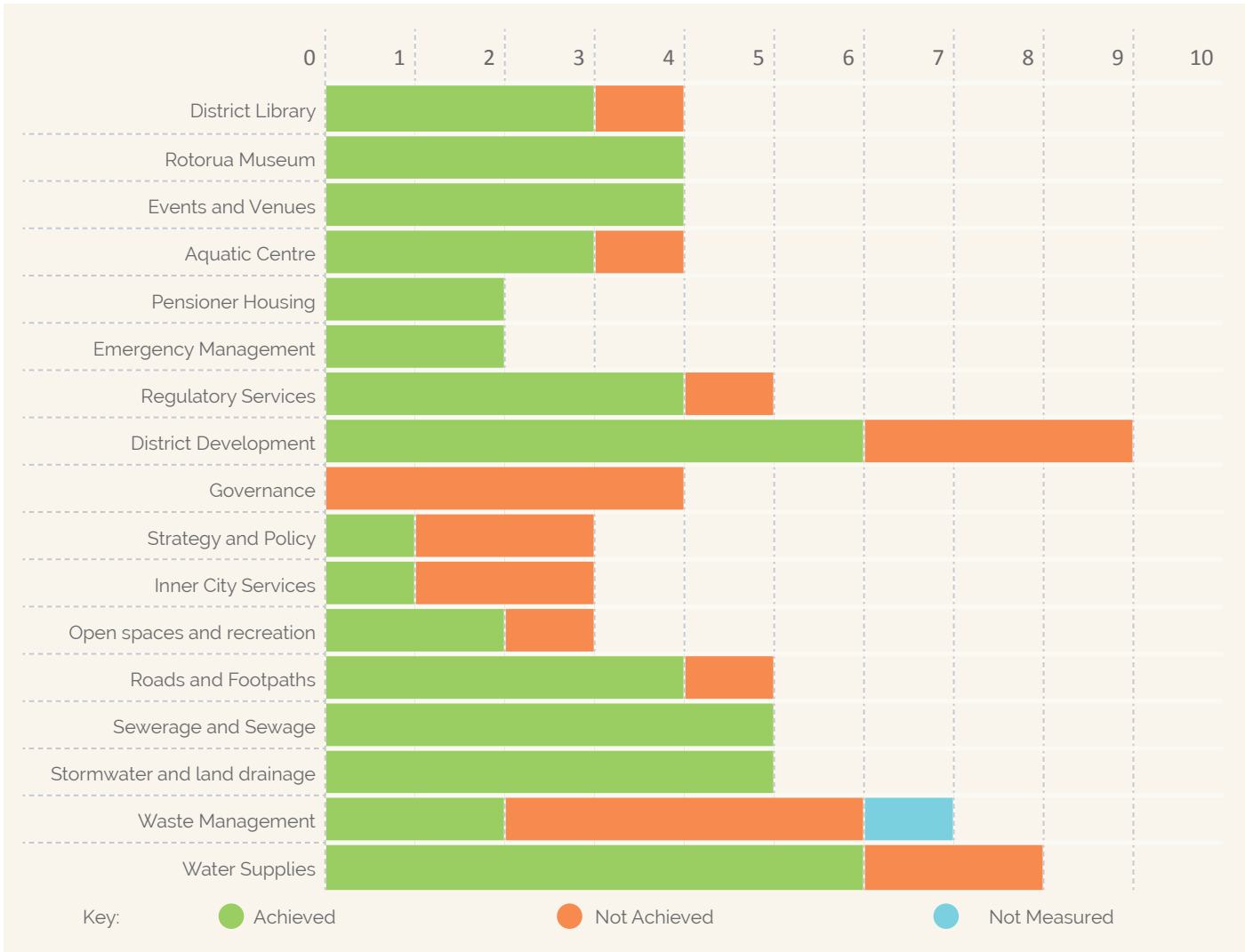
CLASSIFICATION	June 2016	June 2015	Change
Achieved	70% (54)	67% (86)	+3.5%
Not achieved	29% (22)	25% (33)	+3.0%
Not measured	1% (1)	8% (10)	-6.5%

Summary dashboard

Performance Targets Summary

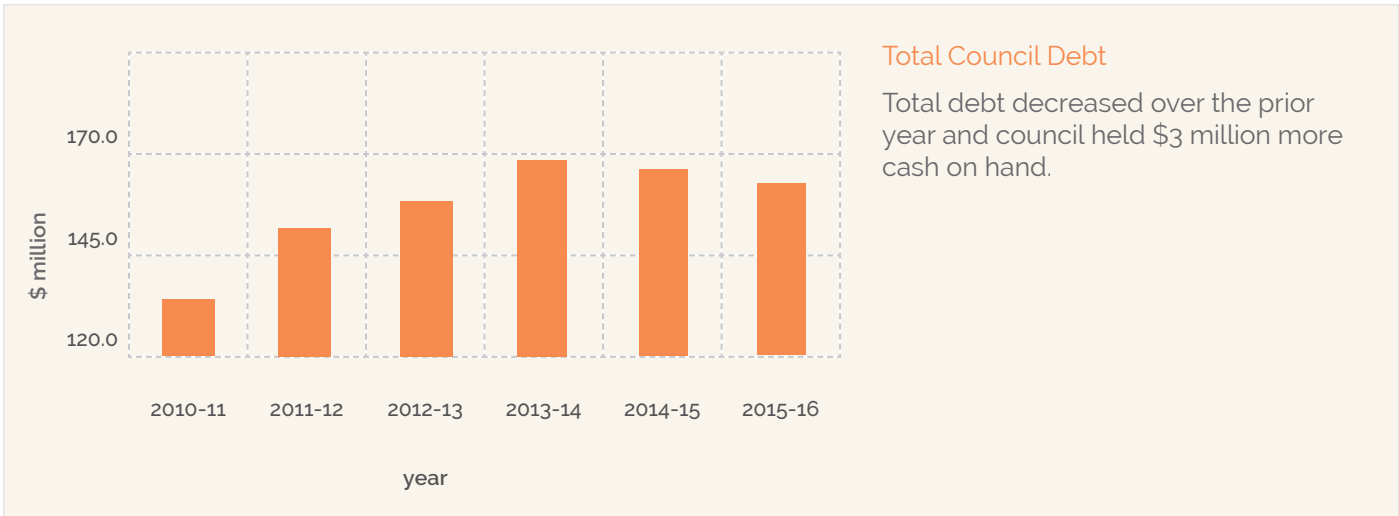
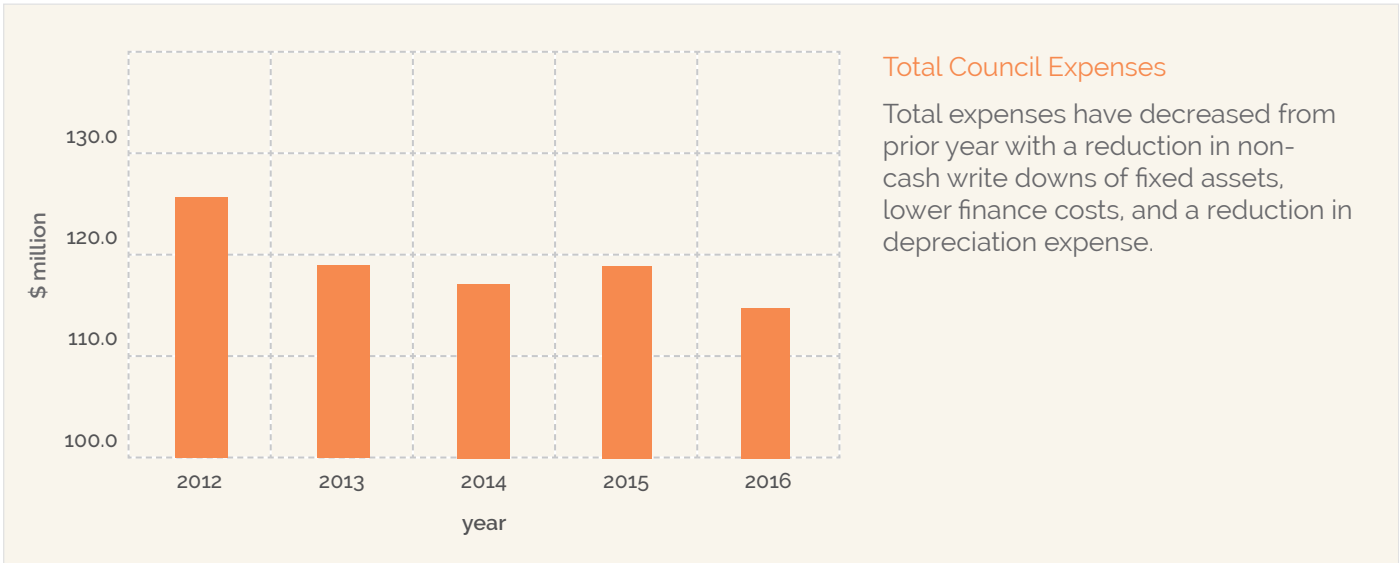
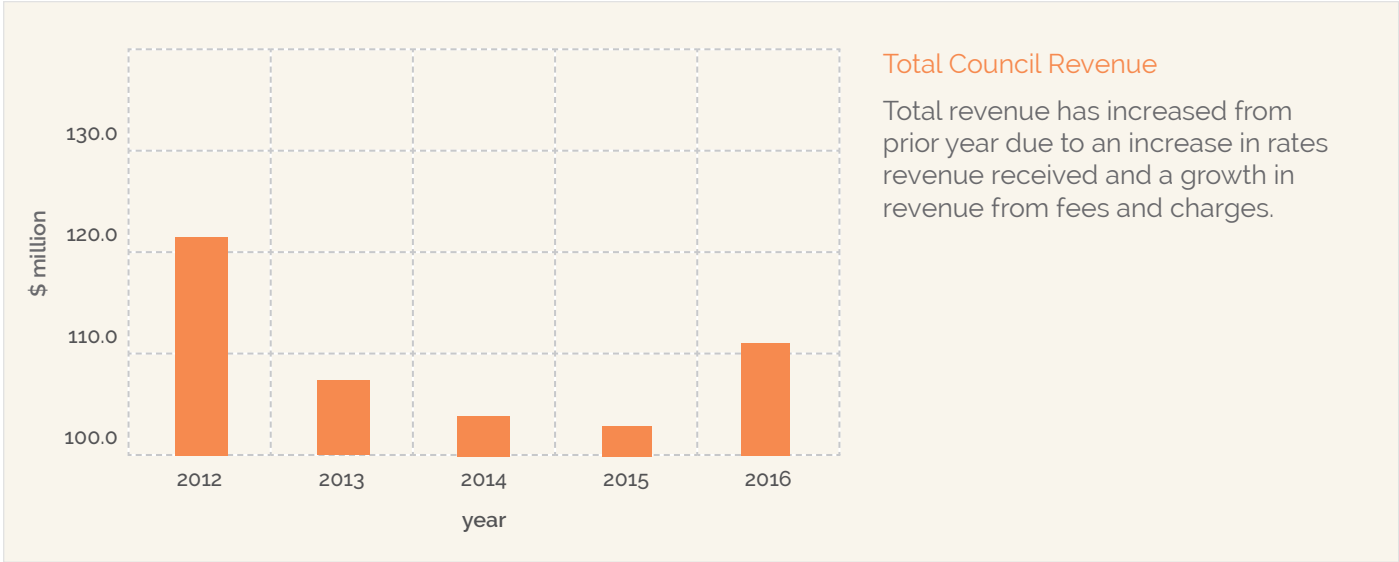


Key Performance Targets by Activity Area

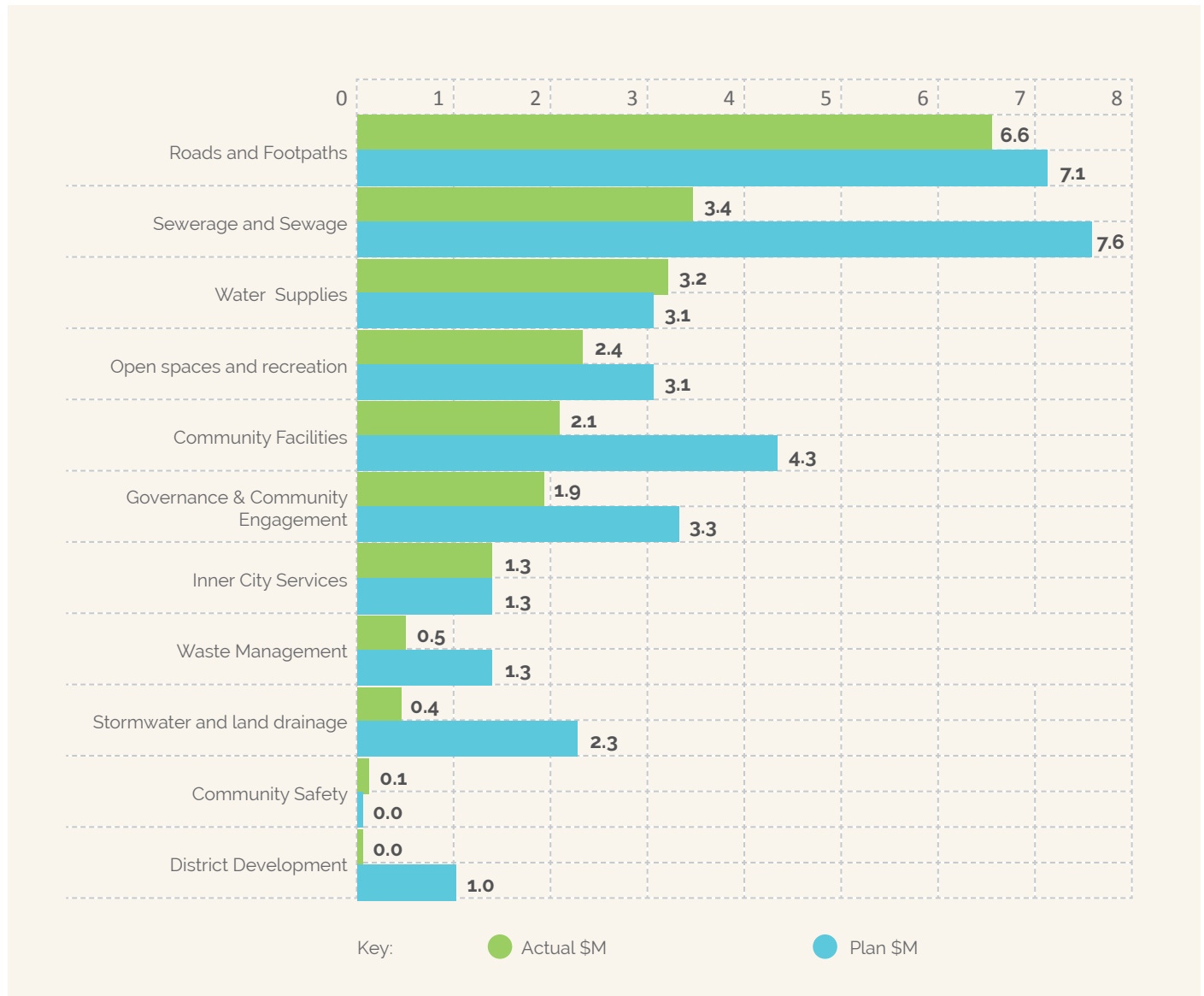


Financial summary

Revenue, expenses and debt



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

Statement of comprehensive revenue and expense

for the year ended 30 June 2016

	Council			Group	
	2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
Revenue					
Rates, excluding targeted water supply rates	80,258	79,381	73,442	80,159	73,363
Development and financial contributions	133	0	364	133	364
Subsidies and grants	7,045	9,962	6,140	7,213	6,236
Interest revenue	171	50	135	156	140
Other revenue	22,939	19,996	21,793	24,322	23,874
Gains	817	-	801	838	801
Total Revenue	111,363	109,389	102,675	112,821	104,778
Expenses					
Personnel costs	27,490	26,784	33,122	36,292	34,317
Depreciation and amortisation expense	25,057	25,023	26,448	26,500	26,653
Finance costs	8,322	8,293	8,826	8,325	8,826
Loss on disposal/impairment of plant, property & equipment	3,872	-	9,211	4,369	9,211
Other expenses	51,012	48,509	41,054	41,816	41,722
Total expenses	115,753	108,610	118,661	117,302	120,729
Share of associate's surplus/(deficit)	-	-	-	-	-
Surplus/(deficit) before tax	(4,390)	779	(15,986)	(4,481)	(15,951)
Income tax expense	-	-	-	-	-
Surplus/(deficit) after tax	(4,390)	779	(15,986)	(4,481)	(15,951)
Other comprehensive revenue and expense					
Items that could be reclassified to surplus(deficit):					
Net change in fair value of hedges	(198)	-	(453)	(198)	(453)
Net change in fair value of investment	(48)	-	78	44	43
Revaluation on property, plant & equipment	484	24,123	17,404	484	17,404
Revaluation on Intangibles	598	-	170	598	170
Total other comprehensive revenue and expense	836	24,123	17,199	928	17,164
Total comprehensive revenue and expense	(3,554)	24,902	1,213	(3,553)	1,213

Statement of changes in equity

for the year ended 30 June 2016

	Council			Group	
	2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
Balance as at 1 July	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
Balance as 30 June	975,196	995,127	978,750	975,197	978,750

Statement of financial position

as at 30 June 2016

	Council			Group	
	2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
Current assets	21,512	11,097	62,969	23,426	17,845
Non-current assets	1,144,898	1,167,254	1,108,030	1,145,964	1,154,135
Total assets	1,166,410	1,178,351	1,170,999	1,169,390	1,171,980
Current liabilities	50,139	59,970	70,055	53,084	71,036
Non-current liabilities	141,074	123,254	122,194	141,109	122,194
Total liabilities	191,214	183,224	192,249	194,193	193,230
Net assets (assets minus liabilities)	975,196	995,127	978,750	975,197	978,750
Accumulated funds	723,323	733,757	729,554	723,324	729,646
Reserves	251,873	261,371.00	249,196	251,873	249,104
Total equity	975,196	995,127	978,750	975,197	978,750

Statement of cash flows

for the year ended 30 June 2016

	Council			Group	
	2016 actual \$000	2016 budget \$000	2015 actual \$000	2016 actual \$000	2015 actual \$000
Net cash from operating activities	21,760	26,358	14,059	22,263	15,171
Net cash from investing activities	(15,374)	(33,358)	(12,312)	(18,440)	(12,509)
Net cash from financing activities	(3,400)	7,000	(1,175)	(1,861)	(1,100)
Net (decrease)/increase in cash, cash equivalents	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
Cash, cash equivalents at year end	8,887	1,000	5,901	9,523	7,561

Capital commitments and contingent liabilities:

Council has capital contract commitments of \$17.51 million (2015 \$22.14 million). Contingent liabilities, which are dependent on other future events, are \$2.62 million (2015 \$2.63 million). The suspensory loan from Housing New Zealand represents the majority of the contingent liability.

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.

Disclaimer:

The specific disclosures included in this summary annual report have been extracted from the full annual report and were authorised by the Chief Executive on 26 October 2016.

This summary can not be expected to provide as complete an understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Rotorua Lakes Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report received an unqualified audit opinion on 26 October 2016.

The full annual report can be obtained from the website www.rotorualakescouncil.nz or from Rotorua Lakes Council customer centre.

Notes to the financial statements

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 31 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.

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

These financial statements comply with PBE Standards.

Rotorua District Council's summary annual report is in compliance with Public Benefit Entity Financial Reporting Standards 43 (PBE FRS 43) Summary Financial Statements.

Presentation currency and rounding

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

Changes in accounting policies

There 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.

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.

Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Rotorua District Council and group's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Rotorua District Council (the District Council) and group for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 15 to 21:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 26 October 2016.

Opinion

In our opinion:

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

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 26 October 2016 on the full audited statements.

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

Responsibilities of the Council and the Auditor

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

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

In addition to this audit, we have carried out assignments in the areas of audit of the annual report and debenture trust, 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
31 October 2016

WE TOGETHER

TOGETHER

ROTORUA

LAKES COUNCIL

Te kaunihera o ngā roto o Rotorua

ANNUAL REPORT SUMMARY

2016