



**ROTORUA**  
LAKES COUNCIL

ANNUAL  
REPORT  
SUMMARY



**20  
23**



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# HE MIHI WELCOME

Ka pō, ka pō, ka ao, ka ao

Tākiri mai te ata

Kōrihi ngā manu

Ka āo, ka āo, ka awatea.

'Tis dark, 'tis dark, 'tis light, 'tis light

The morning breaks

The birds are singing

'Tis light, 'tis light, daylight has arrived.

E ngā reo, e ngā, mana, e ngā iwi

Koianeī te hau o mihi e rere kau ana ki a koutou.

Tangihia wō tātau aituā, kia tau ai te āhuetanga ki a rātau.

Tātau e ora nei, e whiri nei i ngā whakaaro ki ngā tau e tū mai nei,

Tēnā koutou katoa.

To the many voices, authorities, and people

We extend our greetings to you all.

Let us farewell those who have passed, may they find everlasting peace.

We, of this mortal coil, who can now weave our thoughts for a powerful

tomorrow,

We greet you.





## HE KUPU NĀ TE MANUKURA MAYOR'S MESSAGE

Tēnā koutou,

Our new Council was elected part way through this financial year and quickly got to work implementing the change that our community voted for. It was a priority for us to begin making meaningful progress in areas important to our community and this is reflected in this annual report.

Internally we turned around a significant multi-million dollar deficit and put a stop to unnecessary spending.

Investment in critical infrastructure remained a priority and throughout the year good progress was made on the Tarawera Sewerage Scheme, East Rotoiti/Rotomā Sewerage Scheme, and upgrades to the Waste Water Treatment Plant. These projects will contribute to protecting the health and wellbeing of both our people and our environment.

Addressing our housing crisis has been a key concern of our community and also a key focus for our Council. Through central government's Infrastructure Acceleration Fund, our council received almost \$85 million to enable housing development through stormwater works. This investment will be critical to enabling the construction of much needed homes in Rotorua and provided certainty for those working to increase housing supply and provide more housing options for our community.

To further support housing development in Rotorua, we also signed the Rotorua Housing Accord with Government and our iwi partners in response to the urgent need to end mixed-use emergency housing and deliver better housing solutions. Throughout the year we have seen a significant reduction in the number of emergency housing motels being used in Rotorua and have seen a significant increase in housing development.

In the past year we celebrated a number of exciting milestones with our community.

Stage two of the Aquatic Centre Revitalisation began in November 2022. Work is now well underway to deliver the better Aquatic Centre our community has asked for and needs, and we're looking forward to delivering our improved public facility in 2024.

In February 2023, we also reopened the Sir Howard Morrison Centre, a historically significant building for Rotorua. The building had been closed for five years while restoration work was underway and reopening this new facility was very meaningful to our community and next generation of performers.

During the year our Council also consulted with the community about the future of another one of our historic and iconic buildings - the Rotorua Bathhouse and Museum. There was significant support to progress with construction and re-open this much loved facility and our Council will progress this work over the coming year.

Rotorua Lakes Council has worked hard to deliver on these priority areas and ensure a better Rotorua for all. We're looking forward to the years ahead and have our sights set on delivering even more progress for Rotorua.

Ngā mihi



**TANIA TAPSELL**  
Mayor







# MANU MĀTĀRAE ELECTED MEMBERS - OUR COUNCIL



 GENERAL WARD

 MĀORI WARD

 RURAL WARD



## ROTORUA LAKES COUNCILLORS

**From left to right:** Tania Tapsell - Mayor of Rotorua, Deputy Mayor Sandra Kai Fong, Cr Greg Brown Cr Robert Lee, Cr Conan O'Brien, Cr Don Paterson, Cr Fisher Wang, Cr Lani Kereopa, Cr Trevor Maxwell MNZM Cultural Ambassador, Cr Rawiri Waru, Cr Karen Barker





## HE ARONGA POTO: TE ĀHUA O NGĀ RATONGA AT A GLANCE: SERVICE PERFORMANCE

The 2021-31 Long-term Plan arranges Council's services into eight activities, setting 55 key performance indicators (KPIs). For this financial year, 50 KPIs have been reported on.

58% are achieved and 33% are not achieved with 9% not measured. In comparison in 2021-2022, 65% KPIs were achieved, 27% not achieved and 7% not measured. The availability of accurate reporting data has been the biggest driver for non-measurement of service performance for this financial year.

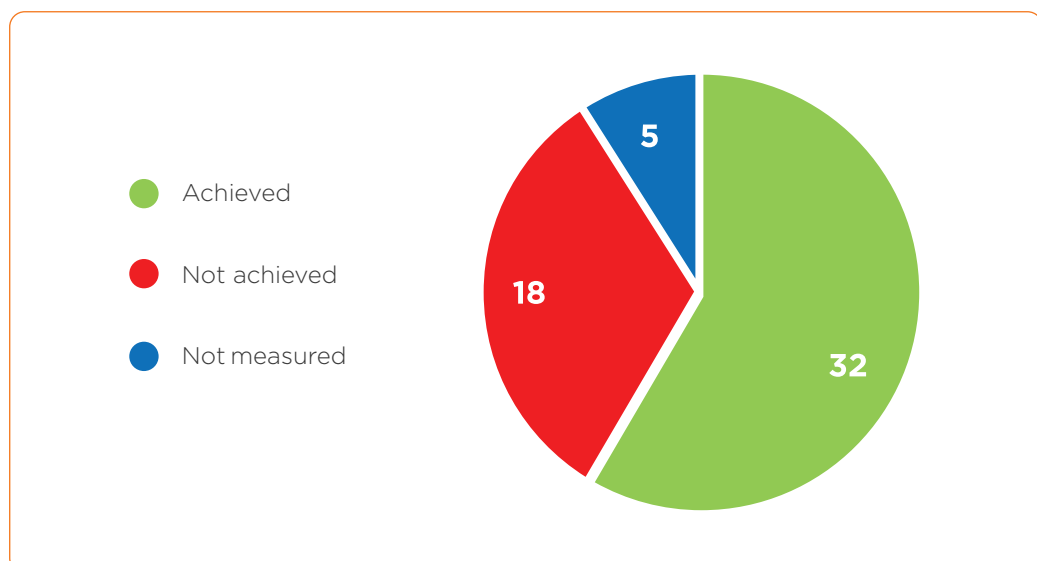
Of the measures achieved (58%), Stormwater, Sewerage and Sewage and Water supplies have performed well this year, combined they have achieved 80% of their targets.

There has been an increase in the number of people participating in community programmes with the tailoring of these programmes to match community needs with post covid demand increasing. These programmes have also been delivered in Te Reo which offers our community an alternative to English.

This year has also seen user satisfaction with Council's open space network as indicated by the summer surveys conducted and arts and culture offerings across concerts such as Six60 and events such as Children's Day 2023.

There has been a notable increase in tonnes of recycled material and green waste recovered from the Landfill in comparison to 2022. These measures have exceeded targets for the 2022/23 year.

### PERFORMANCE TARGETS SUMMARY



## LOCAL GOVERNANCE FOR COMMUNITY WELLBEING

In May 2019, the Local Government Act 2002 was amended to reintroduce the ‘four well-beings’ into the purpose of Local Government. We, and all other councils across the country, are required to play a broad role in promoting the social, economic, environmental and cultural wellbeing of communities in the present and for the future. In this part of the Annual Report, we present the identified effects of our activities on the four dimensions of wellbeing. Some of our activities affect all four dimensions, while others may only touch on one. Effects can be positive or negative and are described in more detail within each activity.

### KEY PERFORMANCE TARGETS BY ACTIVITY GROUP





# HE ARONGA POTO: TE WHAKAHAERE PŪTEA AT A GLANCE: FINANCIAL PERFORMANCE

	Actual	Budget
Operating surplus	(2,502)	24,940
Revenue	167,190	186,936
Expenditure	169,652	161,996
Revenue - from rates	118,185	118,250
Revenue - from other sources	49,005	68,686
Capital expenditure	\$94m	\$144m
Net debt	\$343m	\$355m
Credit Rating - Fitch International - March 2022	AA-	
Outlook	Stable	

The financial year 2022/2023 was marked by a mix of challenges and opportunities, both locally and globally. More specific to Council has been the high costs associated with Emergency Housing, Plan Change 9 and severe weather events including Cyclone Gabrielle. In addition, the consumer price inflation peaked at 7.3% which has had a significant cost increase on supplies and labour, this has led to a sharp increase in interest rates which adds to the cost of living burden on the wider community.

Council's end of year financial position is an operating deficit of \$2.5m compared to a budgeted surplus of \$30.0m, this variance is primarily driven by lower revenue from capital subsidies (\$31m) which is linked to delays in meeting delivery milestones on key capital projects underway. Council undertook a series of cost saving initiatives including deferral of recruitment for vacant roles and delaying or cancelling planned expenditure with contractors in a bid to reduce the forecast operational deficit. These measures have proven effective in stabilising Council's financial position despite the ongoing economic decline.

Some of the issues faced by Council this year were:

## NEW ISSUES

1. Rising inflation affecting the cost of goods and services
2. Capital grants and subsidy income was lower due to delays in meeting capital delivery milestones
3. Shortage of supplies and labour causing delays to capital projects
4. Increased consultant spend to meet demand in building and consenting as well as the build back better initiative and housing strategy
5. Severe weather events including Cyclone Gabrielle

## ONGOING ISSUES

1. Loss of event-driven fees and lower visitor numbers with moving covid alert levels and downturn in economy
2. Staff recruitment and retention remains challenging in the current market
3. The need to fund additional inner-city security
4. Impact of depreciation costs from the revaluation of infrastructure assets



# TE WHAKAHAERE PŪTEA MANAGING THE MONEY

Rotorua Lakes Council spent \$169.7 million this year to provide direct services to the community, internal services to support and run Council, and additional services that provide benefit to the community. Additionally, \$94 million was spent on capital works to renew assets or create new facilities and amenities for our Rotorua of the future.

We manage \$1.7 billion worth of assets including roads, bridges, parks and playgrounds, halls, land, recreation and leisure facilities, drains, water and wastewater infrastructure and libraries and parks.

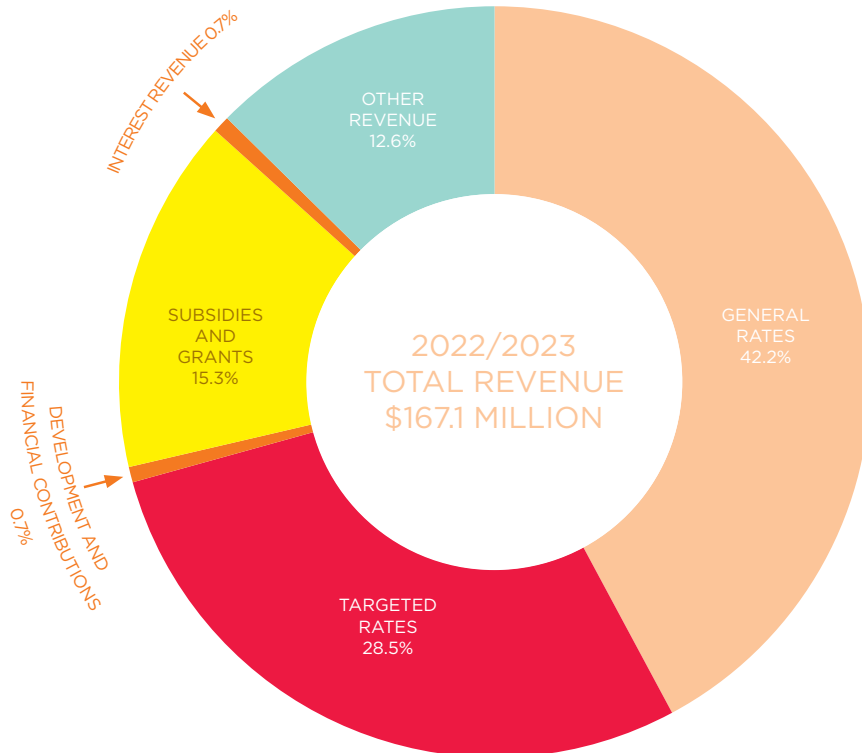
Principal sources of revenue are property rates (general and targeted), government grants and subsidies, user charges and fees.

Principal expense categories include contractors, maintenance, personnel costs, depreciation, grants to community groups and many other community services. Services provided include roading and footpaths, drinking water, waste water, storm water, library, Aquatic Centre, emergency management, and planning and regulatory programs.

Full details of the Council's Financial Statements are available from page 71.

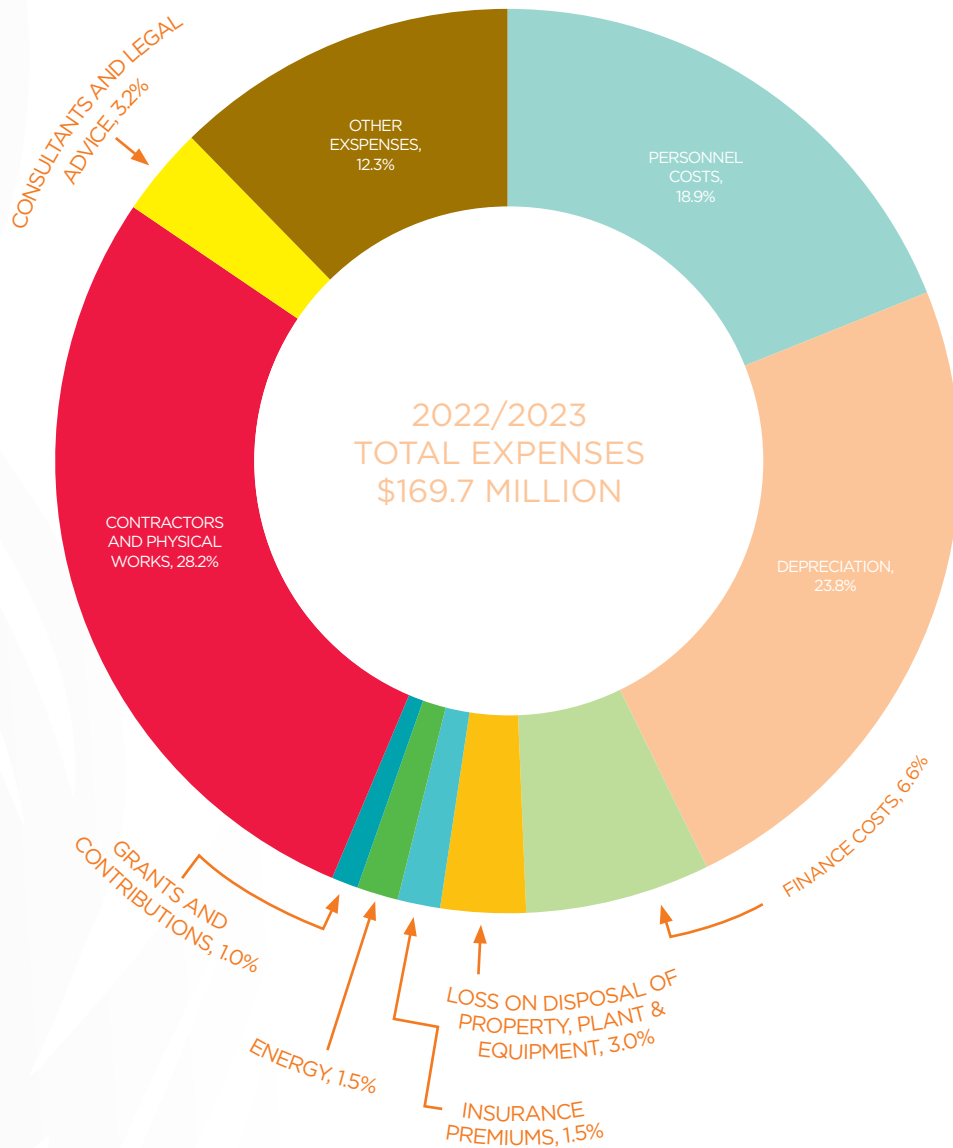
## WHERE DID COUNCIL'S REVENUE COME FROM?

This year income from rates (general and targeted) contributed \$118 million or 71% of total operating revenues (2021/22 \$110 million; 65%). In addition to this, revenue was received from subsidies and grants of \$26 million; 15%, (2021/22 \$30 million; 18%).



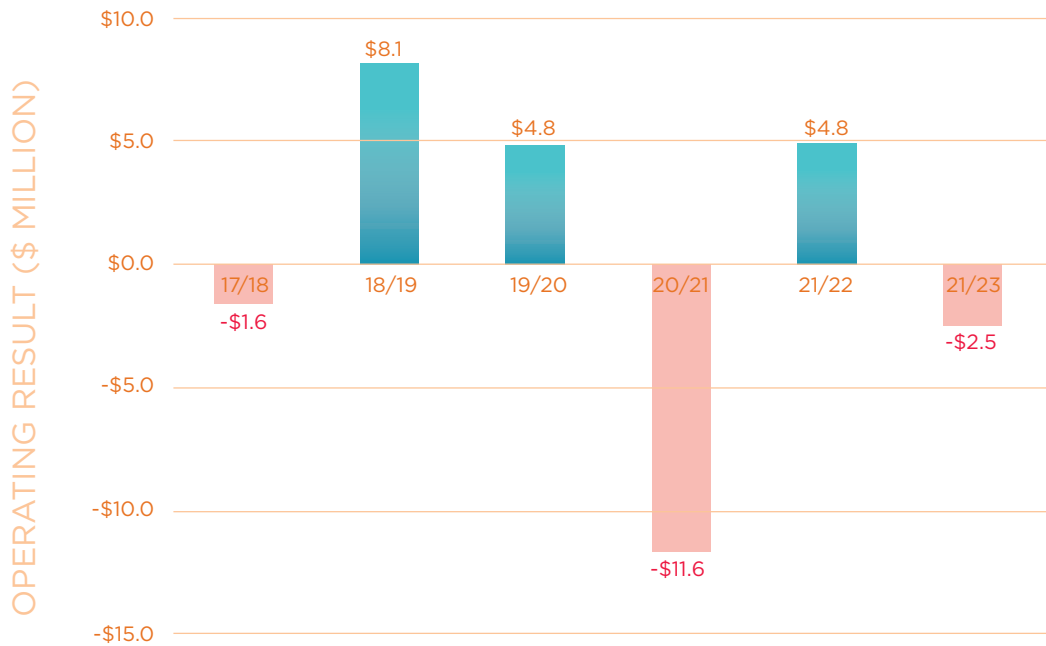
## WHAT WERE COUNCIL FUNDS USED FOR?

Total operating expenditure for 2022/2023 was \$169.7m.



## HOW DOES OUR PERFORMANCE COMPARE WITH PREVIOUS YEARS?

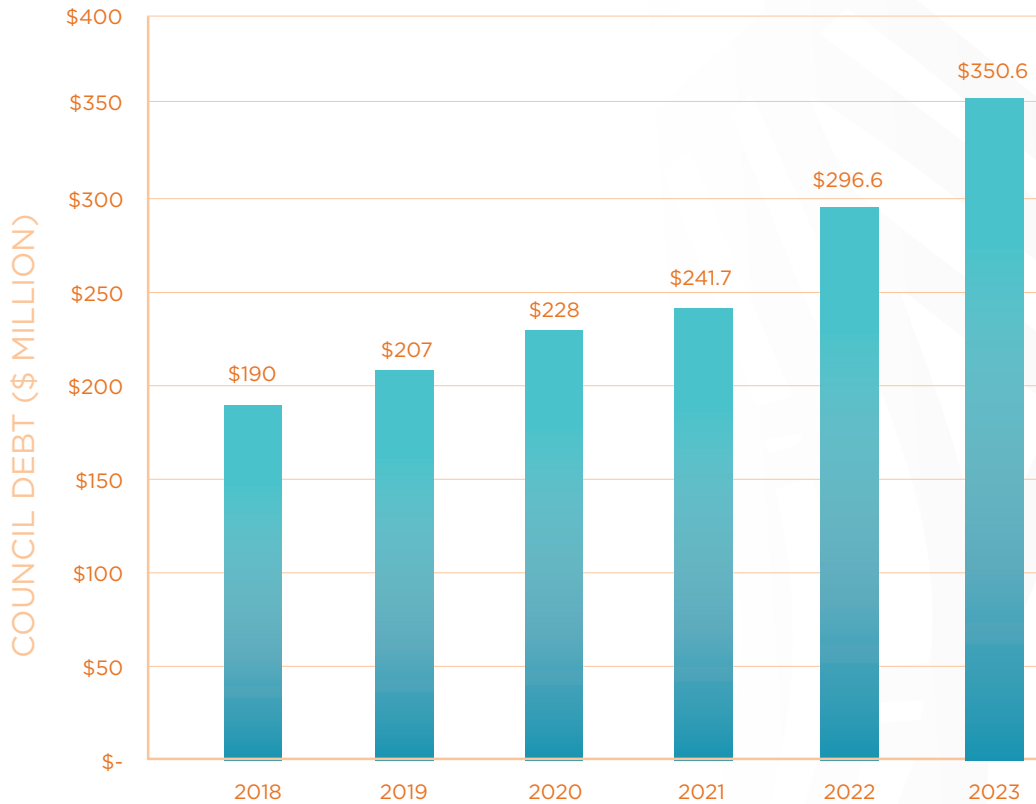
We have incurred a net deficit of \$2.5m in 2022/23. The surplus is the reported revenue (\$167.1m) less reported expenses (\$169.7m), which includes depreciation on property, plant, and equipment.





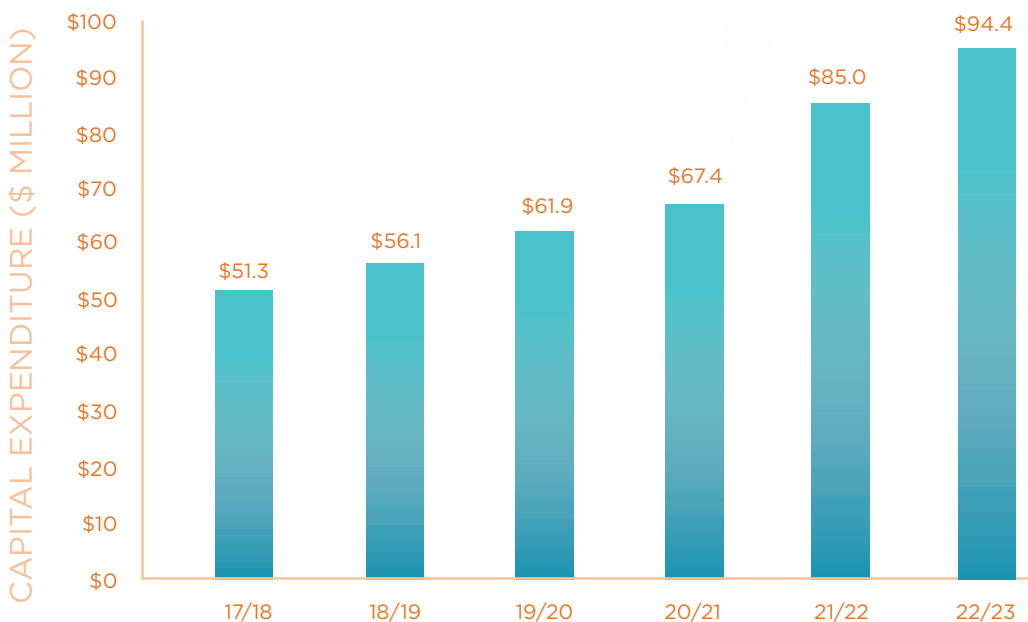
## COUNCIL DEBT

Debt increased by \$54 million from last year to \$350.6 million. Council borrows funds so that the cost of new facilities, infrastructure, and associated improvements is spread over the generations who will benefit and use the assets as opposed to loading all the costs to one generation.



## CAPITAL EXPENDITURE

Overall Council spent \$94 million on projects that either renewed assets (\$32m) or enhanced their level of service (\$53m) and growth (9m). This was \$49 million lower than our planned budget of \$144 million and is primarily due to the timing of the commencement of key projects such as the Aquatic Centre, Museum, Tarawera Sewerage Scheme and other projects. These delays were largely due to the global impact on supply chain costs and construction resources. In addition a few key projects were deferred as further investigation works and planning were carried out. Further commentary is provided in the capital pressures table below.



## CAPITAL PRESSURES

Council is committed to collaborative partnerships with the community, suppliers and stakeholders. Given the need to ensure projects are fit for purpose, as circumstances and requirements change, the timing of these projects do not necessarily fit into a financial year.

PROJECT	SPEND 22/23	COMMENT
Wastewater treatment and disposal upgrade	\$9.2m	Over budget by \$1.3m this is a multi-year project, construction contract awarded, and pre-loading is underway with design implementation in progress. On-going work with mana whenua to identify discharge point for reduced forest footprint.
SHMC Enhancements	\$8.6m	Over budget by \$0.8m the official opening of this Centre was celebrated in Feb 2023 and is now fully operational.
Transport (subsidised) renewal program	\$8m	Over budget by \$0.8m this works programme supports renewal of roading across the district and has funded works relating to damage caused by Cyclone Gabrielle.
Rotoiti / Rotomā sewage system	\$7m	Over budget by \$0.5m this project is primarily underway to connect properties to the scheme 100% complete of Rotoma and 60% complete of East Rotoiti. Intend to set a Capital rate in the upcoming Long Term Plan to begin recovery of associated costs.
Stormwater CIP funded project	\$6.8m	Over budget by \$0.8m relates to detention dams constructed along Morey St and Linton Park these are progressing well with expected construction to be finished in Feb 2024.
Sewage renewal program	\$6.2m	Over budget by \$0.8m this year Trility worked on the gravity mains renewal programme which focused on Amohau and Eruera streets within the CBD.
Lakefront Revitalisation	\$5.4m	Under budget by \$2.3m final stages underway with construction of the Wharewaka and installation and lighting of culturally significant sculptures and art work.
Aquatic Centre	\$4.4m	Under budget by \$9.2m stage 2 works underway and front of house roof is nearing completion, main pool hall structural steel is now installed and beams are currently being put into place.

# STATEMENT OF ACCOUNTING POLICIES

## Reporting entity

Rotorua Lakes Council is a territorial local authority under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Rotorua Lakes Council group (Group) consists of the ultimate parent, Rotorua Lakes Council (Council) and its subsidiaries Rotorua Regional Airport Limited (100% owned), Rotorua Economic Development Limited (100% owned), InfraCore Limited (100% owned), and Kauae Cemetery Trust Board by special relationship. The Council's subsidiaries 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) to comply with generally accepted accounting practices and applies New Zealand Tier 1 Public Benefit Entity accounting standards (PBE standards).

The financial statements of the Council and Group are for the year ended 30 June 2023. The financial statements were authorised for issue by Council on 8th May 2024.

The summary financial statements have been extracted from the full financial statements without any restatement or reclassification.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements have been prepared in accordance with Tier 1 of the Public Benefit Entity Standards.

The full financial statements were audited by Audit New Zealand and an unqualified audit opinion was provided on 8th May 2024.

The full financial statements are available on Rotorua Lakes Council's website [rotorualakescouncil.nz](http://rotorualakescouncil.nz)

## Basis of preparation

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in the significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

The financial statements have been prepared on a going concern basis.

## Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA, and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practices in New

Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 1 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), other than the remuneration payment disclosure and related party disclosures which are rounded to the nearest dollar. Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

## Changes in accounting policies

### Financial instruments:

In March 2019, the XRB issued PBE IPSAS 41 Financial Instruments which supersedes PBE IFRS 9 Financial Instruments and parts of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. It is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. The main changes under PBE IPSAS 41 Financial Instruments are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Council has elected to apply PBE IPSAS 41 prospectively from the date of application (in accordance with the transitional provisions of the standard), with no restatement of comparative information.

The Council has adopted PBE IPSAS 41 for the first time this year. There has been no material effect on the 30 June 2023 annual report as a result of adopting the new standard.

## Service Performance Reporting:

PBE FRS 48 Service Performance Reporting is mandatory for annual periods beginning on or after 1 January 2022. This Standard establishes new requirements for public benefit entities to select and present service performance information.

The Council has adopted PBE FRS 48 for the first time this year.

## Property Plant & Equipment - Artworks:

During 2023, Rotorua Lakes Council changed its accounting policy for Public Artworks from a revaluation model to a cost model.

In prior years, the entity has not been able to establish a readily available "active" market for valuation purposes, in order to determine an accurate fair value for Public Artworks. These artworks have been procured due to their cultural significance and beautification of the Rotorua District.

The change in policy provides a more practical and faithfully representative way of accounting for these artworks.

We have split the Artworks asset class into two separate categories Artworks and Public Artworks for the 2023 financial year. There is no adjustment

to the value of the Public Artworks, as these assets have been historically recorded at cost less accumulated depreciation and impairment due to their low value.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2023

	Council			Group	
	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Revenue</b>					
Rates	118,185	118,250	109,676	118,082	109,569
Subsidies and grants	25,592	46,260	30,727	26,144	31,847
Development and financial contributions	1,114	2,363	1,071	1,114	1,071
Finance income	1,207	550	687	754	236
Other revenue	21,053	19,513	26,598	28,450	32,893
<b>Total revenue</b>	<b>167,151</b>	<b>186,936</b>	<b>168,759</b>	<b>174,545</b>	<b>175,616</b>
<b>Expenses</b>					
Personnel costs	32,119	34,586	29,046	45,994	41,281
Depreciation and amortisation expense	40,427	42,030	41,945	42,657	44,049
Finance costs	11,220	9,829	8,279	11,261	8,351
Other expenses	86,528	75,551	84,633	76,813	75,704
<b>Total expenses</b>	<b>170,294</b>	<b>161,996</b>	<b>163,903</b>	<b>176,725</b>	<b>169,383</b>
<b>Surplus/(deficit) before tax</b>	<b>(3,143)</b>	<b>24,940</b>	<b>4,856</b>	<b>(2,180)</b>	<b>6,233</b>
Income tax expense	-	-	-	374	241
<b>Surplus/(deficit) after tax</b>	<b>(3,143)</b>	<b>24,940</b>	<b>4,856</b>	<b>(2,554)</b>	<b>5,992</b>
<b>Other comprehensive revenue and expense</b>					
<i>Items that could be reclassified to surplus/(deficit)</i>					
Net change in fair value of investment	5,974	-	1,402	(16)	1,402
<i>Items that will not be reclassified to surplus/(deficit)</i>					
Revaluation on property, plant and equipment	112,537	45,290	245,232	121,779	245,232
Revaluation on intangibles	(10)	-	-	(10)	-
Prior Year Equity Correction	184	-	959	184	388
Income tax related to gain on Revaluation of Airport Assets	-	-	-	(3,321)	-
<b>Total other comprehensive income</b>	<b>118,685</b>	<b>45,290</b>	<b>247,593</b>	<b>118,616</b>	<b>247,022</b>
<b>Total comprehensive income</b>	<b>115,542</b>	<b>70,230</b>	<b>252,449</b>	<b>116,062</b>	<b>253,014</b>

Explanations of major variances against budget are provided on pages 30 and 31.

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2023

	Council		Group		
	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	7,725	1,266	16,011	9,146	17,728
Receivables	21,053	16,945	19,456	22,025	19,441
Other financial assets	2,000	-	2,000	2,231	2,226
Inventories	83	-	96	938	821
Current tax receivables	57	-	61	88	83
Non-current assets held for sale	1,228	-	1,460	1,228	1,460
<b>Total current assets</b>	<b>32,146</b>	<b>18,211</b>	<b>39,084</b>	<b>35,656</b>	<b>41,759</b>
<b>Non-current assets</b>					
Shares in associates	90	-	76	90	76
Other financial assets:					
- Investment in CCO's and other similar entities	68,699	62,311	62,708	-	-
- Investment in other entities	7,714	6,490	4,924	7,714	4,924
Trade and other receivables	13,499	14,363	14,530	39	72
Property, plant and equipment	1,738,663	1,602,173	1,580,614	1,826,345	1,660,924
Work in progress	114,425	-	121,579	114,425	121,579
Intangible assets	15,450	3,591	1,941	15,496	2,000
<b>Total non-current assets</b>	<b>1,958,540</b>	<b>1,688,928</b>	<b>1,786,372</b>	<b>1,964,109</b>	<b>1,789,575</b>
<b>Total assets</b>	<b>1,990,686</b>	<b>1,707,139</b>	<b>1,825,456</b>	<b>1,999,765</b>	<b>1,831,336</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings	23,629	16,700	79,832	23,629	78,833
Employee entitlements	2,957	3,886	2,766	3,991	3,736
Provisions	18	21	18	50	18
Payables and deferred revenue	43,317	30,490	47,883	42,672	48,926
<b>Total current liabilities</b>	<b>69,921</b>	<b>51,097</b>	<b>130,499</b>	<b>70,342</b>	<b>131,513</b>
<b>Non-current liabilities</b>					
Borrowings	327,000	339,395	216,742	328,400	218,571
Employee entitlements	123	946	121	123	121
Provisions	1,882	1,959	1,877	1,882	1,877
Deferred tax liabilities	-	-	-	5,273	1,578
<b>Total non-current liabilities</b>	<b>329,005</b>	<b>342,300</b>	<b>218,740</b>	<b>335,678</b>	<b>222,147</b>
<b>Total liabilities</b>	<b>398,926</b>	<b>393,397</b>	<b>349,239</b>	<b>406,021</b>	<b>353,660</b>
<b>Net assets</b>	<b>1,591,760</b>	<b>1,313,742</b>	<b>1,476,217</b>	<b>1,593,743</b>	<b>1,477,674</b>
<b>EQUITY</b>					
<b>Accumulated funds</b>	<b>712,990</b>	<b>791,403</b>	<b>717,044</b>	<b>715,221</b>	<b>718,702</b>
<b>Reserves</b>	<b>878,770</b>	<b>522,340</b>	<b>759,173</b>	<b>878,522</b>	<b>758,972</b>
<b>Total equity attributable to the Entity</b>	<b>1,591,760</b>	<b>1,313,743</b>	<b>1,476,217</b>	<b>1,593,743</b>	<b>1,477,674</b>
<b>Total equity</b>	<b>1,591,760</b>	<b>1,313,743</b>	<b>1,476,217</b>	<b>1,593,743</b>	<b>1,477,674</b>

Explanations of major variances against budget are provided on pages 30 and 31.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Council			Group	
	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Balance as at 1 July</b>	1,476,217	1,243,513	1,223,768	1,477,674	1,219,457
Surplus/(deficit) after tax	(3,143)	24,940	4,856	(2,554)	5,992
Other comprehensive revenue and expense	118,685	45,290	247,593	118,616	247,022
<b>Balance as at 30 June</b>	<b>1,591,760</b>	<b>1,313,743</b>	<b>1,476,217</b>	<b>1,593,743</b>	<b>1,477,674</b>



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Council			Group	
	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Cash flows from operating activities</b>					
Receipts from rates revenue	118,082	117,853	108,422	117,979	108,090
Receipts from other revenue	17,769	19,408	8,374	24,555	42,607
Subsidies and grants received	20,599	35,427	27,900	20,480	-
Development and financial contributions received	1,114	2,363	-	1,114	-
Interest received	1,207	550	687	754	237
Dividends received	-	-	2	-	2
Payments to suppliers*	(80,956)	(85,261)	(65,397)	(72,293)	(57,866)
Payments to employees	(31,926)	(34,353)	(30,148)	(45,737)	(42,362)
Interest paid	(10,083)	(9,829)	(7,062)	(10,124)	(8,092)
Income tax paid	3	-	(4)	(1)	(678)
Goods and Services Tax (net)	(612)	-	(1,106)	(612)	(729)
<b>Net cash flow from operating activities</b>	<b>35,197</b>	<b>46,158</b>	<b>41,668</b>	<b>36,115</b>	<b>41,209</b>
<b>Cash flows from investing activities</b>					
Receipts from sale of property, plant, and equipment	1,778	-	192	2,918	374
Receipts from sale of intangible assets	588	2,000	152	-	270
Loan advances repaid	-	-	1,770	(588)	20
Receipts from sale or maturity of investments	-	-	(41)	-	-
Purchase of property, plant and equipment	(83,116)	(143,774)	(91,644)	(83,813)	(86,630)
Purchase of intangible assets	(14,009)	-	5,430	(14,030)	(7)
Payments to suppliers - capital expenditure	-	-	-	-	-
Loan advances made	-	-	-	-	-
Purchase of financial assets	(2,779)	(1,034)	(2,668)	(2,809)	(535)
<b>Net cash flow from investing activities</b>	<b>(97,538)</b>	<b>(142,808)</b>	<b>(86,809)</b>	<b>(98,322)</b>	<b>(86,508)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	83,158	119,222	84,000	83,158	84,000
Repayment of borrowings	(29,103)	(27,000)	(29,103)	(29,362)	(29,927)
Payments of finance leases	-	-	-	(171)	(171)
<b>Net cash flow from financing activities</b>	<b>54,055</b>	<b>92,222</b>	<b>54,897</b>	<b>53,625</b>	<b>53,902</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(8,286)</b>	<b>(4,428)</b>	<b>9,756</b>	<b>(8,582)</b>	<b>8,603</b>
Cash and cash equivalents at the beginning of the year	16,011	5,695	6,256	17,728	9,125
Cash, cash equivalents and bank overdrafts at the end of the year	7,725	1,267	16,012	9,146	17,728

\* This includes amounts received and paid on behalf of and from Bay of Plenty Regional Council, New Zealand Transport Agency and petrol tax.

# RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2023

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Surplus/(deficit) after tax</b>	(3,143)	4,856	(2,554)	5,992
<b>Add/(less) non-cash items</b>				
Depreciation	39,938	41,507	42,162	43,452
Amortisation	488	360	495	473
Impairment of property, plant and equipment and intangible assets	39	418	1,049	418
Impairment of accounts receivable	(1,290)	293	353	299
Vested assets and assets recognised for the first time	(2,703)	(10,936)	(2,709)	(10,936)
Decrease in landfill aftercare provision	-	15	5	15
Decrease in weathertightness provision	-	-	-	-
Share of associate's surplus	25	(54)	25	(54)
(Gains)/losses in fair value on investments through surplus and deficit	-	-	-	-
<b>Total non-cash items</b>	<b>36,497</b>	<b>31,603</b>	<b>41,380</b>	<b>33,667</b>
<b>Add/(less) items classified as investing or financing activities</b>				
(Gains)/losses on disposal of property, plant, and equipment	4,999	9,134	4,999	9,135
<b>Total items classified as investing or financing activities</b>	<b>4,999</b>	<b>9,134</b>	<b>4,999</b>	<b>9,135</b>
<b>Add/(less) movements in working capital items</b>				
Receivables	1,537	(4,761)	(2,855)	(5,978)
Prepayments	(344)	1,229	(375)	1,242
Inventories	13	(7)	(117)	30
Payables and deferred revenue	(4,563)	(1,737)	(4,604)	(1,810)
Provision for taxation	3	(1)	(1)	8
Provisions	5	15	(15)	4
Employee benefits	193	(1,102)	257	(1,081)
<b>Net movement in working capital items</b>	<b>(3,156)</b>	<b>(6,364)</b>	<b>(7,710)</b>	<b>(7,585)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>35,197</b>	<b>35,197</b>	<b>36,115</b>	<b>36,005</b>







**Capital commitments**

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

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Capital commitments</b>				
Parks & Reserves	16,167	7,620	16,167	7,542
Roading network	18,260	24,799	18,260	24,600
Buildings	4,591	15,236	4,591	15,236
Stormwater	12,090	9,120	12,090	9,120
Wastewater - other	630	3,653	630	3,653
Wastewater treatment	116,906	14,166	116,906	14,166
Water - other	3,416	1,523	3,416	649
Water treatment	-	-	-	-
Intangibles	3,236	1,005	3,236	1,005
Plant and equipment	542	585	542	585
Land	-	232	-	232
<b>Total capital commitments</b>	<b>175,838</b>	<b>77,939</b>	<b>175,838</b>	<b>76,788</b>

**Operating leases as lessee**

The Council and Group lease property, plant and equipment in the normal course of its business. The leases have non cancellable terms that range between 22 and 1,189 months. The future aggregate minimum lease payments payable under non cancellable operating leases are as follows:

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
Not later than one year	198	163	330	396
Later than one year but not later than two years	182	143	182	143
Later than two years but not later than five years	264	241	1,193	1,170
Later than five years	369	399	1,124	1,386
<b>Total non-cancellable operating leases</b>	<b>1,013</b>	<b>946</b>	<b>2,830</b>	<b>3,095</b>
<b>Total capital commitments</b>	<b>175,838</b>	<b>77,939</b>	<b>175,838</b>	<b>76,788</b>
<b>Total commitments</b>	<b>176,851</b>	<b>78,885</b>	<b>178,668</b>	<b>79,883</b>

The total minimum future sublease payments expected to be received under non cancellable subleases at balance date is \$Nil (2022: \$Nil).

In general, leases can be renewed at the Council or Group's option, with rents set by reference to current market rates for items of equivalent age and condition. For some lease agreements, the Council or 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 Council or Group by any of the leasing arrangements.

## Operating leases as lessor

The Council and Group lease land, buildings, parks, reserve land and commercial premises under operating leases. The leases have non cancellable terms that range between 12 and 530 months. The future aggregate minimum lease payments to be collected under non cancellable operating leases are as follows:

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
Not later than one year	1,641	1,729	1,340	1,729
Later than one year but not later than two years	1,531	1,644	1,531	1,644
Later than two years but not later than five years	4,135	4,506	2,307	4,506
Later than five years	7,195	7,265	7,195	7,265
<b>Total non-cancellable operating leases</b>	<b>14,502</b>	<b>15,144</b>	<b>12,373</b>	<b>15,144</b>

No contingent rents have been recognised during the period.

## CONTINGENCIES

### Contingent liabilities

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
Financial guarantees	-	-	-	-
Suspensory loan				
Housing New Zealand Corporation suspensory loan	1,567	1,567	1,567	1,567
Legal proceedings				
The Group's effective exposure to legal claims	780	715	780	715
<b>Total contingent liabilities</b>	<b>2,347</b>	<b>2,282</b>	<b>2,347</b>	<b>2,282</b>

### Financial guarantees

#### Accounting Policy

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 an un related party, its fair value at inception is equal to the consideration received. When no consideration

is received the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or 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.

### **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.

### **Critical accounting estimates and judgement**

#### **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.

### **Legal proceedings**

The Council is currently facing five legal claims (2022: three). An estimate of Council's share of exposure is \$780,000 (2022: \$715,000), and includes an estimate for other known situations out of which a formal claim may arise. The Council does not accept the validity of all these claims and is in the process of resolving them through normal legal avenues.

### **Unquantified claims**

#### **Weathertightness claims**

As disclosed a provision of \$18,000 (2022: \$18,000) has been recognised for weathertightness claims. Included in this amount is an estimate of \$Nil (2022:\$Nil) being the Council's exposure to potential future claims which have not yet been advised until the statutory limitation period expires. Claims must be made within 10 years of the construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims.

#### **Ongoing obligation relating to New Zealand Mutual Liability Riskpool scheme**

Rotorua Lakes Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ("Riskpool"). The Scheme is in wind down; however, the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims diminishes with each year as limitation periods expire. However, as a result of the Supreme Court decision on 1 August 2023 in Napier City Council v Local Government Mutual Funds Trustee Limited, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weather-tight defects (in a mixed claim involving both weather-tight and non-weather-tight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

### National Provident Fund

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 2023 the Scheme had a surplus of \$233,000 (101.1% of the liabilities) (2022: deficit of \$595,000, 98.3%). 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 IPSAS 25.

Actuarial Review: The employer contribution rate applicable from 1 April 2023 is four times contributors’ contributions. The rate will be reviewed again at 31 March 2023 and any change would be implemented from 1 April 2024.

credit rating from Standard and Poor’s of AAA for local currency and a foreign currency rating of AA+.

As at 30 June 2023, the Council is one of 70 local authority guarantors of the LGFA. Together with the other guarantors, the Council is a guarantor of all of the LGFA’s borrowings. As at 30 June 2023, the LGFA had borrowings totalling \$17,683,699 (2022: \$14,041,907).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

### Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current

### Contingent assets

	Council		Group	
	Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
<b>Loan guarantees</b>				
Rotorua Hockey Trust & BOP Hockey Association	350	350	350	350
<b>Total loan guarantees</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>350</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 should the club vacate the facility, or defaults on the Council guaranteed loan. Until this event occurs, these assets are not recognised in the Statement of Financial Position.

As at 30 June 2023 there is one facility with a book value of \$350,000 (2022: one facility, \$350,000).

## Sensitivity analysis

The following table illustrates the potential surplus and deficit and equity (excluding accumulated funds) impact for reasonably possible market movements, with all other variables held constant, based on the Council and Group's financial instrument exposure as at balance date:

Council	2023 \$'000				2022 \$'000			
	-100bps surplus	-100bps other equity	+100bps surplus	+100bps other equity	-100bps surplus	-100bps other equity	+100bps surplus	+100bps other equity
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>Borrowings:</b>								
- Debenture stock / LGFA / Bank facilities	401	-	(401)	-	890	-	(890)	-

Group	2023 \$'000				2022 \$'000			
	-100bps surplus	-100bps other equity	+100bps surplus	+100bps other equity	-100bps surplus	-100bps other equity	+100bps surplus	+100bps other equity
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
<b>Borrowings:</b>								
- Debenture stock / LGFA / Bank facilities	401	-	(401)	-	890	-	(890)	-

### 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 points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1%.

## EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

### Statement of Comprehensive Revenue and Expense

Rotorua Lakes Council recorded a deficit of (\$2.5m) compared to a budgeted surplus of \$24.9m. The major reasons for the variance of \$27.4m between actual and budgeted result are as follows:

## Revenue

Revenues were \$19.7m lower than budget with major variances including:

- Subsidies and grants revenue were \$20.7m under budget due principally to timing differences for capital grant subsidies from Government and delivery of capital projects, such as the Museum. This has been partially offset by capital grants and subsidies received that were not budgeted for primarily in relation to storm damages to infrastructural assets.
- Other income was \$1.6m above budget with \$2.7m of unbudgeted revenue from assets vested to Council from subdivisions at Wharenui Rise, Island View Road, Moncur Drive and Kokiri St, as well as recreational reserves at Pukatea Crescent and Kohekohe Drive. Land and building consents were above budget by \$1.4m. Other revenue types were below budget by \$2.7m due to lingering Covid effects on the tourism sector impacting visitor numbers, parking revenue, and event revenue.

## Expenditure

Expenses were \$7.7m higher than budget, with major variances including:

- Personnel costs were \$2.5m below budget due partly to difficulty onboarding staff in the recruitment market and decisions made to delay filling vacancies as part of cost saving initiatives.
- Depreciation expense is below budget by \$1.6m due in part to delays across capital projects and expected opening dates on key assets.
- Other expenses were \$10.4m over budget mainly due to recognition of \$5.8m in asset disposal losses and impairments on property plant and equipment which are not budgeted for. Contractor spend was \$3.8m over budget principally driven by increased spend with roading contractors to repair storm damages which has been offset with grants above and the CPI impact on the cost of delivery within current economic climate. In addition operational spend of \$1.9m on Emergency housing, community security and plan changes were higher than anticipated. Doubtful debts were \$1.2m over budget.

## Statement of Financial Position

Overall net assets are \$215.0m above budget. Significant variances are as follows:

### Current Assets

Cash and cash equivalents were \$6.4m above budget, largely due to \$7m term deposit which was unbudgeted for. Receivables were \$4.3m above budget proportionately due to rates increase.

### Non-current Assets

Investment in CCO's is \$6.5m above budget due to revaluation of property plant and equipment within Rotorua Airport Limited.

Property, plant, and equipment is \$73.5m above budget due to revaluations performed during the financial year. Revaluations resulted in significant increases for waste water reticulation and water supply assets.

Intangible assets were \$11.9m over budget due to delays in the timing of go live with phase 2 of the ERP system.

### Current Liabilities

Payables and deferred revenue are \$12.9m higher than budget due to timing of amounts due. Increase in trade payables is also partially driven by impact of CPI on contractor spend.

Current portion of borrowings are \$6.9m higher than budget due to delays in capital projects and corresponding incoming grants.

### Non - current liabilities

Non current portion of borrowings is \$12.4m below budget due to lower draw down of debt as a result of delayed delivery on major capital projects.

### **Museum Project**

On 2 August 2023 Council resolved to proceed with the strengthening of Te Whare Taonga o Te Arawa and to reopen it as a Muesum. Expenditure on this project to date continues to be recognised as work in progress at 30 June 2023.

### **Retention of Council Land at Titoki Place**

On 9 August 2023 Council resolved to overturn an earlier Council decision to sell land at 8 Titoki Place to Kainga Ora. This land is listed under assets held for sale as at 30 June 2023.

### **Rate Remissions for properties affected by Lake Levels**

On 23 August 2023 Council resolved to approve 100% rate remissions for the 2023/24 rating year for properties affected by lakeside flooding, therefore there is no adjustment required for 2023 Financial Statements.

### **Three Waters Reform**

In July 2020, the Government launched the Three Waters Reform Programme a three year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership basis approach with the local government sector, alongside iwi/Maori as the Crown's Treaty Partner.

These entities will be based on existing regional divisions, and their establishment will follow a phased schedule. They are all expected to become operational between 1 July 2024, and 1 July 2026. The ownership of these entities will rest with local

councils, acting on behalf of the public. They will be managed by professional boards and supervised by local representative groups, comprising both local councils and mana whenua.

As of 30 June 2023, Council continues to value its three waters assets according to the accounting policies specified. The financial statements have not been adjusted to account for the eventual transfer of these assets to the new water entities. The Central Government is anticipated to formulate the mechanism for this asset transfer, which is expected to be finalized before 1 July 2024. Depending on the specifics of this mechanism, adjustments might be needed regarding the disclosure or valuation of councils' three waters assets, once further details are established.

The legislation enabling the Three Waters Reform Programme was repealed on 14 February 2024, with replacement legislation providing for 'Local Water Done well' to be introduced to Parliament in 2025. This replacement legislation is proposed to streamline the establishment of Council Controlled Organisations (CCO's) to manage water services between participating Councils.

The Rotorua Lakes Council was required under section 98(4) of the Local Government Act 2002 to complete its audited financial statements and service performance information by the 31st of October 2023. This timeline was not met due to staff changes and recruitment shortages.





# INDEPENDENT AUDITOR'S REPORT

## To the readers of Rotorua Lakes Council and group's summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report of the Rotorua Lake Council and group (the District Council) for the year ended 30 June 2023. The summary of the annual report comprises the following information on pages 11 to 12 and pages 19 to 32:

- the summary statement of financial position as at 30 June 2023;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary service performance.

### Opinion

In our opinion:

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

### Summary of the annual report

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

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

### **The full annual report and our audit report thereon**

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2023 in our auditor's report dated 8 May 2024.

### **Council's responsibility for the summary of the annual report**

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's Debenture Trust Deed. Other than these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.

### **David Walker**

Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



ROTORUA  
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