



ROTORUA
LAKES COUNCIL

ANNUAL REPORT SUMMARY



20 24



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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 āhuatanga 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,

As promised, our Council has continued building momentum and working hard to ensure Rotorua is a better place for all.

Throughout the 2023/2024 year we've been focused on delivering in a couple of key areas. Rebuilding our reputation has been critical for our local businesses, residents, and for our identity as a top tourism destination.

Community safety and emergency housing issues were really impacting this. We've focused on delivering local solutions here and have seen great improvements as a result.

To improve safety in our CBD we actioned our joint community safety plan with Police and opened our Inner City Community Safety Hub.

The Hub ensures we're providing a more responsive and visible safety service in our CBD in collaboration alongside Police, Māori Wardens, and other security staff.

Since we actioned our community safety plan and opened the Hub we've seen a rapid reduction in CBD crime.

There's also been a big improvement in emergency housing with close to a 70% reduction in emergency housing motels and around a 50% reduction in households in emergency housing motels from October 2022 to July 2024.


This is great progress and further supported by this new Government committing to stop the use of contracted emergency housing motels by the end of 2025.

We've also seen a significant amount of new housing being built in Rotorua over the past year and our Council continues to support development of housing options that suit a variety of lifestyles and budgets.

While we've been tackling some pretty tough issues, we've also been making sure we invest in things that are important to our community.

We said we'd get the Rotorua Museum Te Whare Taonga o Te Arawa project back on track and construction is now underway. We know our Museum means a lot to our community and we can't wait to reopen this building in 2027.





Work on the Aquatic Centre upgrades was also completed and we loved opening this facility back up to our community.

We celebrated the completion of the Rotorua Lakefront Redevelopment with the opening of the Whare Waka, which houses the Te Arawa waka. It's great to finally have a refreshed lakefront for visitors and locals to share and enjoy.

Internally at Council we've also been making changes to ensure we're providing our community with excellent services.

We welcomed our new Chief Executive Andrew Moraes in March. Andrew is working with staff and Councillors to help us deliver on our key focus areas and unlock opportunities for our people and our district.

Throughout the year we've also put a significant amount of time into carefully planning for the future, and in June we adopted our 2024 – 2034 Long-Term Plan.

We were grateful to have very high community engagement throughout consultation on this plan and having heard our community, we adjusted final decisions accordingly.

We heard community concerns about past direction and increasing costs. As a new Mayor and Council, equipped with a new and capable Chief Executive, we were determined to reset this perception and deliver better outcomes for our community.

Our plan focuses on smart investment in our future, like protecting our people and environment through reliable infrastructure, supporting our economy through inner city revitalisation, and completing significant community projects.

Recognising the unprecedented financially challenging times, and the cost of living crisis our community was facing, we paused, reduced, and stopped some spending to minimise rates as much as possible.

The plan is also supported by a financial strategy that has been independently audited and will ensure our Council is operating within its budgets.

I'm really proud of our community for overcoming challenging times together and we appreciate the support that's been shown to our Council.

As we embark on the year ahead, we look forward to working closely with our community to deliver even more positive 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 Gregg Brown Cr Robert Lee,
Cr Conan O'Brien, Cr Don Paterson, Cr Fisher Wang,
Cr Lani Kereopa, Cr Trevor Maxwell, 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.

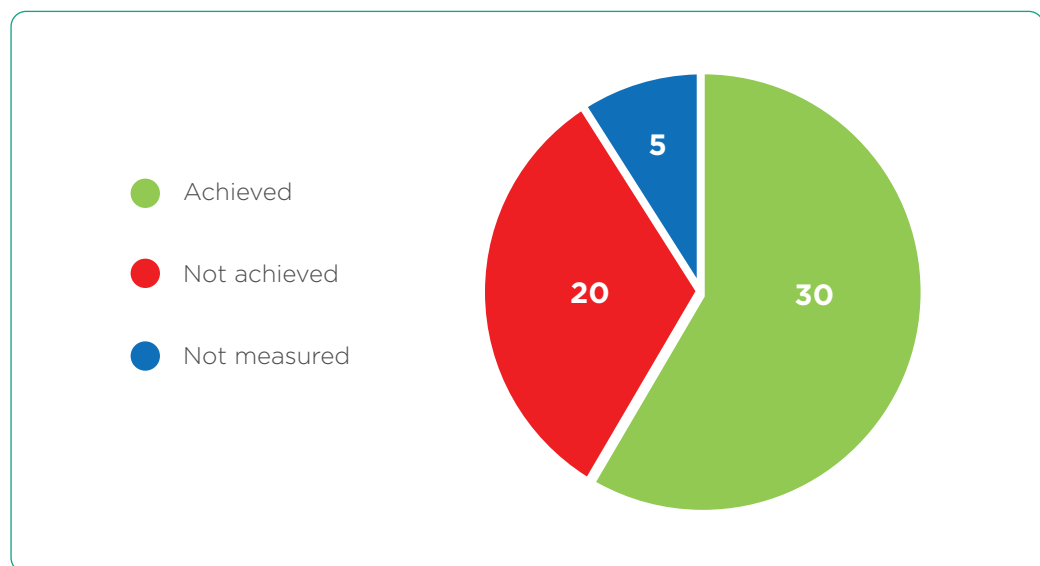
Of the 55 KPI's report on for this financial year, 55% are achieved and 36% are not achieved with 9% not measured. In comparison in 2022-2023, 58% KPIs were achieved, 33% not achieved and 9% not measured.

Of the measures achieved (55%), Council's three waters (Stormwater, Sewerage and Sewage and Water supplies) have performed well this year. Combined they have achieved 94% of their targets.

Throughout the course of the year, Council saw an increase in the number of submitters to consultation projects. These projects, notably the Museum Revitalisation, the changing of speed limits and the Long-Term Plan 2024-2034, saw a significant number of submissions received. These were also received from areas or groups within the community that may have not submitted to council consultation processes before.

This year has also seen fault response times across our water supply network and Sewerage and Sewage activity improving from the previous year. Areas of focus continue to be in the processing of building and resource consents while council works to resource these activities effectively.

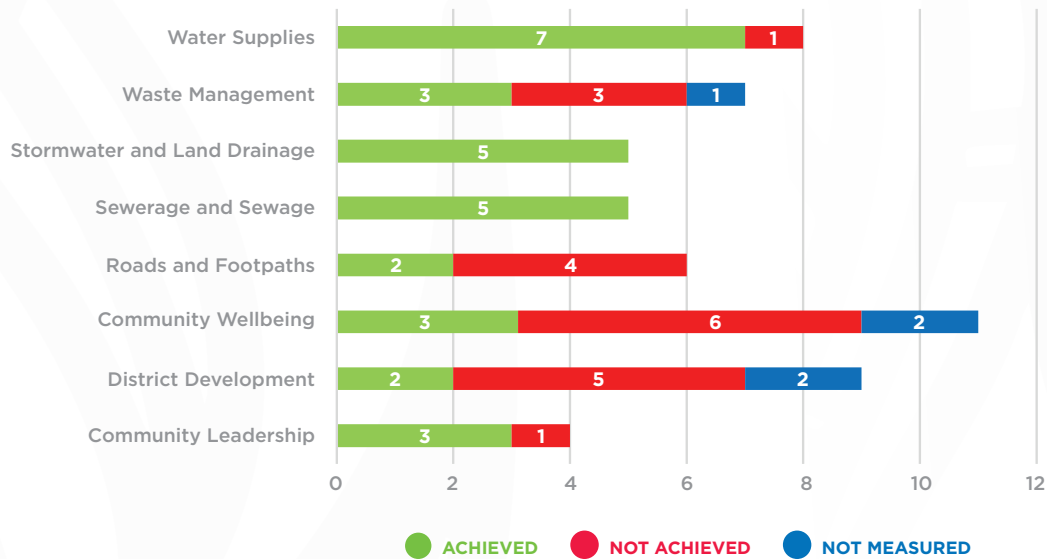
PERFORMANCE TARGETS SUMMARY



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 / (deficit)	\$2,157	\$20,731
Revenue	\$197,468	\$192,457
Expenditure	\$195,311	\$174,052
Revenue – from rates	\$128,139	\$131,022
Revenue – from other sources	\$69,329	\$63,762
Capital expenditure	\$117,556	\$136,000
Net debt	\$411,938	\$401,534
Credit rating – Fitch International Mar 24	AA-	
Outlook	Stable	

Over the past year, the Council has navigated a landscape marked by rising inflation and interest rates, workforce shortages, climate change, and severe weather events that have caused significant damage and disruption throughout the district. The Council's ability to address these challenges is contingent upon the financial capacity of both the Council and its communities, prompting a re-consultation process on the Annual Plan for this financial year.

As of June 30, 2024, the Council's core operating position reflects a surplus of \$2.1 million, compared to a budgeted surplus of \$20.7 million. Despite this surplus, the Council continues to face reduced fees and charges from event-related streams and lower parking revenue due to a decline in visitor numbers. This shortfall has been partially mitigated by external capital revenue recognized this year, as key CIP-funded capital programs near completion.

Operating expenses are trending higher than the year-to-date budget, primarily due to additional work required on the roading network. This has been partially offset by additional subsidy revenue from Waka Kotahi. Furthermore, waste management and wastewater operating expenses are exceeding budget projections due to cost fluctuations within core service delivery contracts.

The cost of debt has escalated sharply over the last financial year, resulting in higher interest costs than anticipated. However, this has been partially offset by investment revenue, as the Council has pre-funded future debt maturities and placed funds on term deposit at rates higher than borrowing rates.

NEW ISSUES

- Rising Interest Rates:** The increasing interest rates are significantly impacting the cost of debt.
- Changes in Central Government:** The recent changes in central government are influencing the investment and management of the Three Waters initiative.
- Climate Change:** The effects of climate change are imposing substantial cost impacts on infrastructure, highlighting the need for adaptive measures.

ONGOING ISSUES

- Elevated Operating Expenditure:** There is a continued rise in the cost of goods and services, affecting overall operating expenses.
- Staff Recruitment and Retention:** Challenges persist in recruiting and retaining staff, coupled with the associated costs.
- Supply and Resource Shortages:** There is an ongoing shortage of supplies and resources necessary for the delivery of capital projects.
- Global Economic Decline:** The global economic downturn continues to exert pressure on local economic conditions.

TE WHAKAHAERE PŪTEA

MANAGING THE MONEY

The Rotorua Lakes Council allocated \$195 million this year to deliver direct community services, internal support functions, and additional community-benefiting services. An additional \$118 million was invested in capital works to renew assets and develop new facilities and amenities for Rotorua's future.

The Council manages assets valued at \$1.7 billion, encompassing roads, bridges, parks, playgrounds, halls, land, recreation and leisure facilities, drainage systems, water and wastewater infrastructure, and libraries.

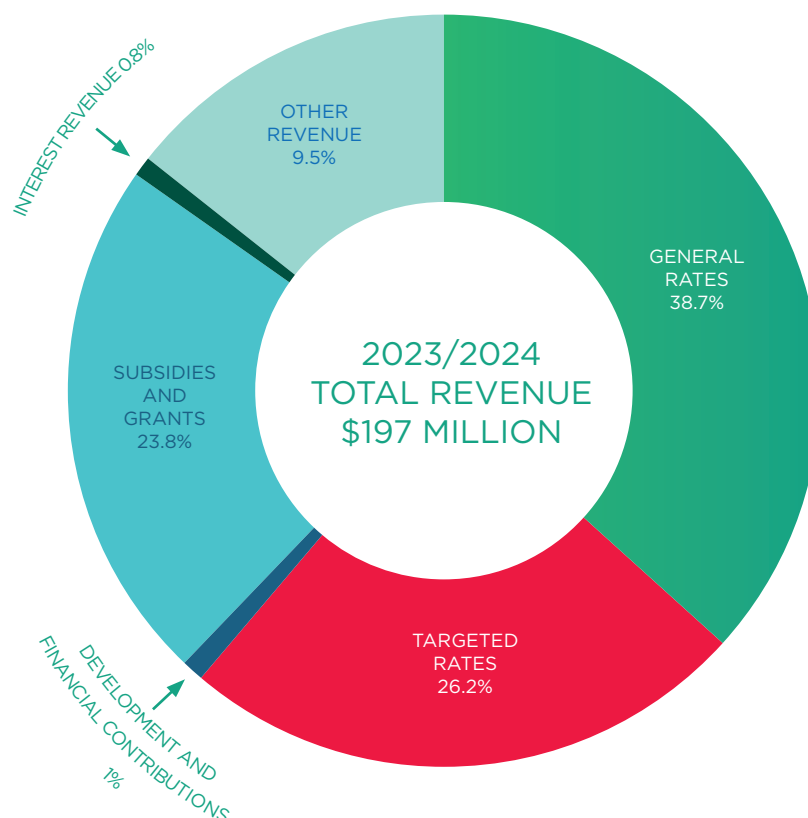
Key revenue sources include property rates (both general and targeted), government grants and subsidies, and user charges and fees. Major expense categories cover contractors, maintenance, personnel costs, depreciation, grants to community groups, and various community services.

The core services provided include roading and footpaths, drinking water, wastewater, stormwater, library services, the Aquatic Centre, emergency management, and planning and regulatory programs.

For comprehensive details, please refer to the Council's Financial Statements starting on page 71.

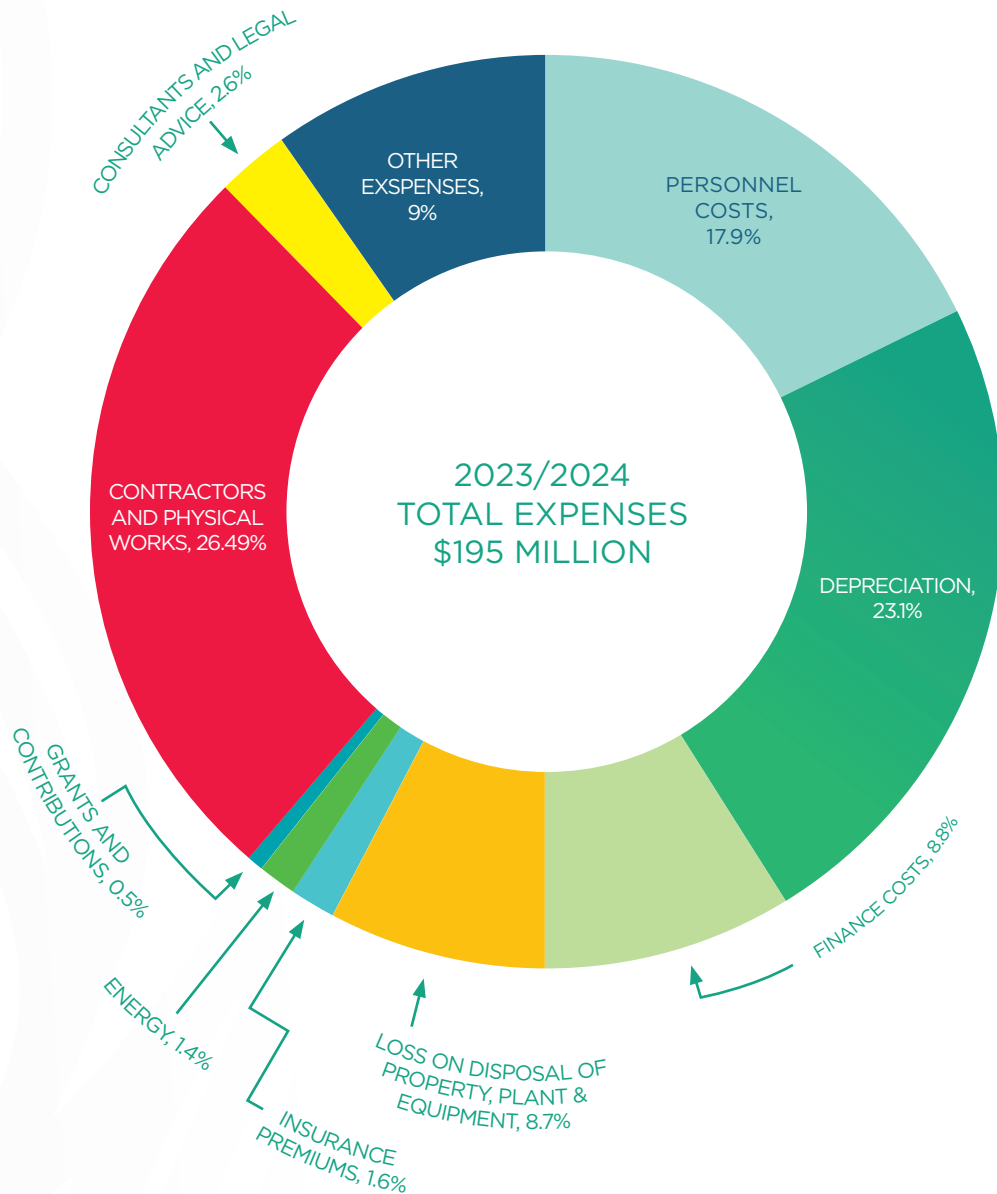
WHERE DID COUNCIL'S REVENUE COME FROM?

This year income from rates (general and targeted) contributed \$128 million or 61% of total operating revenues (2022/23 \$118 million; 71%). In addition to this, revenue was received from subsidies and grants of \$47 million; 23% (2022/23 \$26 million; 15%).



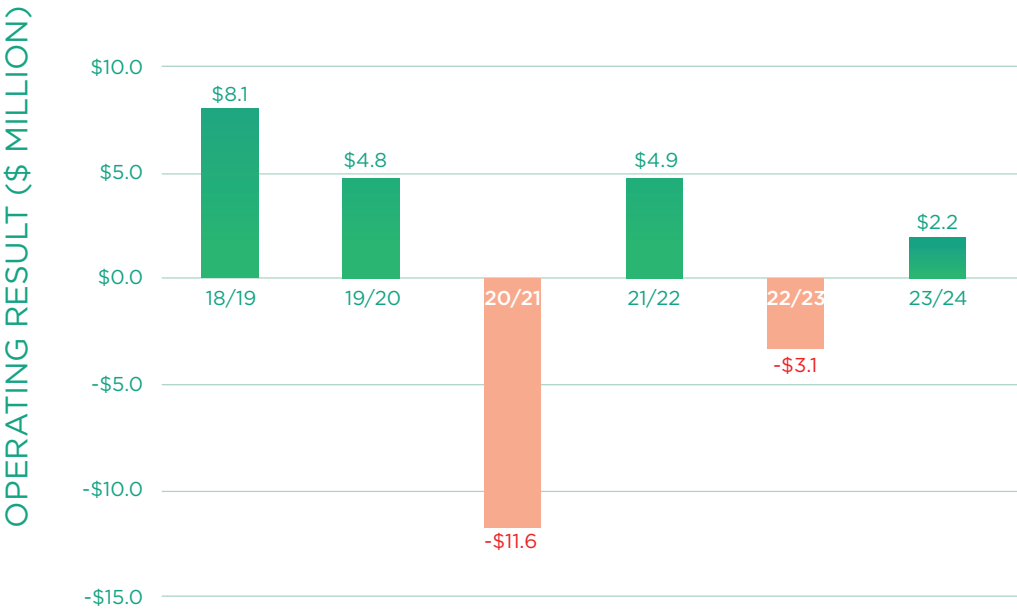
WHAT WERE COUNCIL FUNDS USED FOR?

This financial year, total operating expenditure for 2023/24 was \$195 million, Council experienced higher costs due to several factors. High inflation has led to rising costs in maintenance, personnel, and contractor services which contributed to the overall increase. These expenditures ensure the continued provision of essential services and the enhancement of infrastructure, ultimately benefiting the Rotorua community.



HOW DOES OUR PERFORMANCE COMPARE WITH PREVIOUS YEARS?

This financial year, the Rotorua Lakes Council has achieved a net surplus of \$2.2 million for 2023/24. This surplus is derived from the reported revenue of \$197 million, offset by the reported expenses of \$195 million.



COUNCIL DEBT

The Council's debt increased by \$96 million from the previous year, reaching a total of \$447 million. This borrowing strategy ensures that the costs of new facilities, infrastructure, and associated improvements are equitably distributed across the generations who will benefit from and utilize these assets, rather than burdening a single generation with the entire expense. The debt increase for 2023/24 was primarily driven by significant investments in major capital projects.



CAPITAL EXPENDITURE

In the current fiscal period, the Council allocated a total expenditure of \$118 million towards strategic initiatives aimed at asset renewal (\$46 million), service enhancement (\$67 million), and growth (\$5 million). This figure represents a variance of \$18 million below the projected budget of \$136 million which has been our largest capital delivery historically. Major community projects which were completed this year was the Lakefront and housing of the Te Arawa Whare Waka, stage 2 of the Aquatic Centre redevelopment and core infrastructure projects such as the Rotoiti/Rotoma sewerage scheme and stormwater infrastructure investment across the district.





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 2024. The financial statements were authorised for issue by Council on 31 October 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 31 October 2024.

The full financial statements are available on Rotorua Lakes Council's website 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.

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.

This is the second year that the Council has implemented PBE FRS 48.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2024

		Council			Group	
	Note	Actual 2024 \$'000	Budget 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Restated Actual 2023 \$'000
Revenue						
Rates	2a	128,139	131,022	118,185	128,025	118,082
Subsidies and grants	2b	47,055	38,226	25,592	47,137	26,144
Development and financial contributions	2c	1,975	3,592	1,114	1,975	1,114
Finance income	3	1,544	575	1,207	1,157	754
Other revenue	2d	18,755	21,369	21,053	28,941	28,450
Total revenue		197,468	194,784	167,151	207,235	174,544
Expenses						
Personnel costs	4	34,866	36,850	32,119	49,670	45,995
Depreciation and amortisation expense	15	45,060	43,730	40,427	47,558	42,657
Finance costs	3	17,236	14,025	11,220	17,261	11,261
Other expenses	5	98,149	79,448	86,528	89,993	76,811
Total expenses		195,311	174,053	170,294	204,482	176,724
Surplus/(deficit) before tax		2,157	20,731	(3,143)	2,750	(2,180)
Income tax expense/(refund)	6	-	-	-	71	(5,637)
Surplus/(deficit) after tax		2,157	20,731	(3,143)	2,679	3,456
Other comprehensive revenue and expense						
<i>Items that could be reclassified to surplus/(deficit)</i>						
Net change in fair value of investment	20	2,818	-	5,974	-	(16)
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Revaluation on property, plant and equipment	20	156,369	58,435	112,537	160,045	121,779
Revaluation on intangibles	20	310	-	-10	310	-10
Other transfers		4,160			4,160	
Prior Year Equity Correction		-	-	184	-	184
Income tax related to gain on Revaluation of Airport Assets		-	-	-	(1,389)	-3,321
Total other comprehensive income		163,657	58,435	118,685	163,126	118,616
Total comprehensive income		165,814	79,167	115,542	165,805	122,072

For a detailed breakdown of the notes within this statement, please refer to the full financial statement on Rotorua Lakes Council's website rotorualakescouncil.nz

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2024

		Council			Group	
	Note	Actual 2024 \$'000	Budget 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Restated Actual 2023 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	7	8,990	12,872	7,725	11,231	9,146
Receivables	8	42,768	17,356	21,053	43,915	22,025
Other financial assets	10	26,000	-	2,000	26,243	2,231
Inventories	11	117	-	83	1,116	938
Current tax receivables	6	61	-	57	129	88
Non-current assets held for sale	12	3,098	4,944	1,228	3,098	1,228
Total current assets		81,034	35,172	32,146	85,732	35,656
Non-current assets						
Shares in associates	9	109	-	90	109	90
Other financial assets:						
- Investment in CCO's and other similar entities	10	83,577	74,666	82,159	1	-
- Investment in other entities	10	10,237	7,397	7,714	10,237	7,714
Trade and other receivables	8	8	-	39	8	39
Property, plant and equipment	13	1,917,349	1,801,326	1,738,662	2,007,134	1,826,344
Work in progress	13	148,920	-	114,425	148,920	114,425
Intangible assets	14	15,629	233	15,450	15,896	15,496
Deferred tax asset	6				5,794	6,011
Total non-current assets		2,175,829	1,883,622	1,958,539	2,188,099	1,970,117
Total assets		2,256,863	1,918,794	1,990,685	2,273,831	2,005,773
LIABILITIES						
Current liabilities						
Borrowings	17	27,927	21,000	23,629	27,927	23,629
Employee entitlements	18	3,664	2,772	2,957	4,925	3,991
Provisions	19	18	21	18	18	51
Payables and deferred revenue	16	45,587	41,750	43,317	46,187	42,672
Total current liabilities		77,196	65,543	69,921	79,057	70,343
Non-current liabilities						
Borrowings	17	419,000	393,406	327,000	419,600	328,400
Employee entitlements	18	113	487	123	113	123
Provisions	19	2,105	1,978	1,882	2,105	1,882
Deferred tax liabilities	6	-	-	-	6,516	5,273
Payables and deferred revenue	16	875			875	
Total non-current liabilities		422,093	395,871	329,005	429,209	335,678
Total liabilities		499,289	461,414	398,926	508,270	406,021
Net assets		1,757,574	1,457,380	1,591,759	1,765,564	1,593,742
EQUITY						
Accumulated funds	20	640,479	754,010	712,989	648,469	721,232
Reserves	20	1,117,095	703,368	878,770	1,117,095	878,522
Total equity attributable to the Entity		1,757,574	1,457,378	1,591,759	1,765,564	1,599,754
Total equity		1,757,574	1,457,378	1,591,759	1,765,564	1,599,754

For a detailed breakdown of the notes within this statement, please refer to the full financial statement on Rotorua Lakes Council's website rotorualakescouncil.nz

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Council			Group	
		Actual 2024 \$'000	Budget 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Restated Actual 2023 \$'000
Balance as at 1 July		1,591,760	1,378,213	1,476,217	1,599,746	1,477,674
Surplus/(deficit) after tax		2,157	79,367	(3,144)	2,683	3,456
Other comprehensive revenue and expense		163,659	-	118,685	163,135	118,616
Balance as at 30 June	20	1,757,574	1,457,378	1,591,759	1,765,564	1,599,754

For a detailed breakdown of the notes within this statement, please refer to the full financial statement on Rotorua Lakes Council's website rotorualakescouncil.nz



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Council		Group		
		Actual 2024 \$'000	Budget 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Cash flows from operating activities						
Receipts from rates revenue		127,611	130,322	118,082	127,489	117,979
Receipts from other revenue		(951)	21,261	17,769	9,065	24,555
Subsidies and grants received		45,792	38,226	20,599	45,524	20,480
Development and financial contributions received		1,975	3,592	1,114	1,975	1,114
Interest received		1,544	575	1,207	1,157	754
Dividends received		-	-	-	-	-
Payments to suppliers*		(78,794)	(77,466)	(80,956)	(68,330)	(72,293)
Payments to employees		(34,169)	(36,850)	(31,926)	(48,769)	(45,737)
Interest paid		(16,049)	(14,025)	(10,083)	(16,074)	(10,124)
Income tax paid		(4)	-	3	(38)	(1)
Goods and Services Tax (net)		1,802	-	(612)	1,802	(612)
Net cash flow from operating activities		48,757	65,635	35,197	53,801	36,115
Cash flows from investing activities						
Receipts from sale of property, plant, and equipment		(1,256)	-	1,778	(873)	2,918
Receipts from sale of intangible assets		11	-	588	20	-
Loan advances repaid		-	2,000	-	-	(588)
Receipts from sale or maturity of investments		-	-	-	-	-
Purchase of property, plant and equipment		(115,432)	-135,887	(83,116)	(119,247)	(83,813)
Purchase of intangible assets		(1,958)	-	(14,009)	(2,200)	(14,030)
Payments to suppliers - capital expenditure		-	-	-	-	-
PPE reval non-cash		-	-	-	(1,316)	-
Purchase of financial assets		(25,158)	(339)	(2,779)	(23,752)	(2,809)
Net cash flow from investing activities		(143,793)	(134,226)	(97,538)	(147,368)	(98,322)
Cash flows from financing activities						
Proceeds from borrowings		232,056	85,276	83,158	231,214	83,158
Repayment of borrowings		(135,758)	(16,700)	(29,103)	(135,711)	(29,362)
Payments of finance leases		-	-	-	(5)	(171)
Net cash flow from financing activities		96,299	68,576	54,055	95,498	53,625
Net increase / (decrease) in cash and cash equivalents		1,265	(15)	(8,286)	2,085	(8,582)
Cash and cash equivalents at the beginning of the year		7,725	12,888	16,011	9,146	17,728
Cash, cash equivalents and bank overdrafts at the end of the year	7	8,990	12,873	7,725	11,231	9,146

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

For a detailed breakdown of the notes within this statement, please refer to the full financial statement on Rotorua Lakes Council's website rotorualakescouncil.nz

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

FOR THE YEAR ENDED 30 JUNE 2024

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Surplus/(deficit) after tax	2,157	(3,144)	2,905	(2,554)
Add/(less) non-cash items				
Depreciation	43,294	39,938	44,467	42,162
Amortisation	1,768	488	1,775	495
Impairment of property, plant and equipment and intangible assets	(2,334)	39	(1,919)	1,049
Impairment of accounts receivable	3,388	(1,290)	3,378	353
Bad debts written off	1,711		1,711	
Vested assets and assets recognised for the first time	(483)	(2,703)	(483)	(2,709)
Disposal non-cash	11	-	20	-
Decrease in landfill	-	-	-	-
Share of associate's surplus	(19)	25	(19)	25
(Gains)/losses in fair value on investments through surplus and deficit	16	-	16	-
Total non-cash items	47,352	36,497	48,946	41,375
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal of property, plant, and equipment	17,049	4,999	17,084	4,999
Total items classified as investing or financing activities	17,049	4,999	17,084	4,999
Add/(less) movements in working capital items				
Receivables	(21,667)	1,537	(21,835)	(2,855)
Prepayments	(17)	-344	(31)	(375)
Inventories	(34)	13	(177)	(117)
Payables and deferred revenue	3,145	-4,563	4,422	(4,604)
Provision for taxation	(4)	3	(38)	-1
Provisions	697	5	895	(15)
Employee benefits	223	193	1,431	257
Net movement in working capital items	(17,657)	(3,156)	(15,333)	(7,710)
Net cash inflow/(outflow) from operating activities	48,901	35,196	53,602	36,110

For a detailed breakdown of the notes within this statement, please refer to the full financial statement on Rotorua Lakes Council's website [rotorualakescouncil.nz](https://www.rotorualakescouncil.nz)





Capital commitments

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

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Capital commitments				
Parks & Reserves	440	16,167	440	16,167
Roading network	10,539	18,260	10,539	18,260
Buildings	47,026	4,591	47,026	4,591
Stormwater	1	-	1	-
Wastewater - other	429	630	429	630
Wastewater treatment	69,256	116,906	69,256	116,906
Water - other	6,100	3,416	6,100	3,416
Water treatment	-	-	-	-
Intangibles	230	3,236	230	3,236
Plant and equipment	17	542	17	542
Land	3,089	12,090	3,089	12,090
Total capital commitments	137,127	175,838	137,127	175,838

Operating leases as lessee

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 636 months. The future aggregate minimum lease payments to be collected under non cancellable operating leases are as follows:

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Not later than one year	244	198	244	330
Later than one year but not later than two years	114	182	114	182
Later than two years but not later than five years	222	264	1,191	1,193
Later than five years	345	369	868	1,125
Total non-cancellable operating leases	925	1,013	2,417	2,830
Total capital commitments	137,127	175,838	137,127	175,838
Total commitments	138,052	176,851	139,544	178,768

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$Nil (2023: \$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 636 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Not later than one year	1,563	1,641	1,696	1,340
Later than one year but not later than two years	1,469	1,531	1,495	1,531
Later than two years but not later than five years	3,711	4,135	4,760	2,307
Later than five years	5,142	7,195	5,639	7,195
Total non-cancellable operating leases	11,885	14,502	13,590	12,373

No contingent rents have been recognised during the period.

22 CONTINGENCIES

Contingent liabilities

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'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	9,025	780	9,025	780
Total contingent liabilities	10,592	2,347	10,592	2,347

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.

The value of the guarantees disclosed as contingent liabilities reflects the Group's assessment of the undiscounted portion of financial guarantees that are not recognised in the Statement of Financial Position

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

Legal proceedings

The Council is currently facing nine legal claims (2023: five). An estimate of Council's share of exposure is \$9,025,000 (2023: \$780,000), 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 (2023: \$18,000) has been recognised for weathertightness claims. Included in this amount is an estimate of \$Nil (2023:\$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.

RiskPool

RiskPool provides public liability and professional indemnity for its members, of which Council is no longer a member. The trust deed of RiskPool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the board may make a call on members in relation to that fund year. RiskPool advises of a final call for funds in either the 2023 or 2024 financial year.

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 2024 the Scheme had a deficit of \$166,000 (99% of the liabilities) (2023: surplus of \$233,000, 101.1%). 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 to 31 March 2025 is four times contributors' contributions. The rate will be reviewed again at 31 March 2025 and any change would be implemented from 1 April 2025.



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

As at 30 June 2024, the Council is one of 72 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 2024, the LGFA had borrowings totalling \$23,030,020,000 (2023: \$17,683,699,000).

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.

Contingent assets

	Council		Group	
	Actual 2024 \$'000	Actual 2023 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
Loan guarantees				
Rotorua Hockey Trust & BOP Hockey Association	350	350	350	350
Total loan guarantees	350	350	350	350

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 2024 there is one facility with a book value of \$350,000 (2023: one facility, \$350,000).



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 surplus of \$2.2m compared to a budgeted surplus of \$20.7m.

The major reasons for the variance of \$18.5m between actual and budgeted result are as follows: **Revenue** Revenues were \$2.7m higher than budget with major variances including:

- Subsidies and grants revenue exceeded the budget by \$8.8 million. Operational expenditure funding was \$2.2 million over budget, primarily due to additional funding from NZTA for the repair of roads damaged by storm events. Additionally, the final payment for the three waters transition funding was fully recognized this financial year due to changes in legislation. Capital expenditure funding was \$6.6 million over budget, largely due to the completion of capital projects which triggered final milestone payments.

These payments were predominantly associated with stormwater and transport activities, as well as developments at the Aquatic Centre.

- Financial and development contributions are under budget by \$1.6 million. These funds, which are earmarked for capital development across the district, are subject to recognition tests. Consequently, this has led to a lower than anticipated collection.
- Finance income is over budget by \$1m, this is due to pre funding for future debt maturing and so the placement of funds on term deposit.
- Other revenue was below budget by \$2.6m, this has been the result of lower than anticipated fees and charges, particularly in events and venue hire across facilities, due to challenging economic conditions and a struggling tourism sector.

Expenditure

Expenses were \$21.3m higher than budget, with major variances including:

- Interest expense is currently \$3.2m ahead of year to date budget due to higher external debt levels due to the timing of external revenue from CIP and the withdrawal of funding from the Ministry for the Environment. Interest rate pricing at the beginning of the year was also ahead of forecast but has since pulled back. This is offset by investment income from Council's pre funding placed on term deposit.

- Other expenses exceeded the budget by \$18.7 million, primarily due to the recognition of \$17 million in asset disposal losses and impairments on property, plant, and equipment, which were not budgeted for. Additionally, contractor expenses were \$3.3 million over budget, driven mainly by increased spending on roading contractors to repair storm damages. This overspend has been partially driven by the impact of the Consumer Price Index (CPI) on delivery costs.

Statement of Financial Position

Overall net assets are \$291m above budget. Significant variances are as follows:

Current Assets

Cash and cash equivalents were \$3.9m below budget, this is largely driven by higher investment activities across the capital projects which required upfront outlay of cash, in addition economic decline has seen a lower collection on debtors and direct impact on fees & charges.

Receivables were \$25.4m above budget, this is predominantly due to a large receivable from CIP in relation to capital project funding milestone. Rates increase of 8.8% has also contributed to an increased debtor balance at year end.

Non current assets held for sale are below budget by \$1.8m this is largely due to land & building sales which did not materialise.

Non-current Assets

Investment in CCO's is \$8.9m above budget due to revaluation of property plant and equipment within Rotorua Regional Airport Limited.

Intangible assets are \$15.4m over budget. This is largely driven by the fact that moving to a SaaS (Software as a Service) platform has been delayed as part of the overall ERP project.

Current Liabilities

Payables and deferred revenue are \$3.8m 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 \$25.6m over budget due to higher draw down on debt required to deliver major capital projects for which external funding had not yet been received. These are essentially timing differences as the corresponding funds have been received in the new financial year.

Strategic direction of CCO Infracore Limited

On July 3, 2024, the Council resolved to support the “in principle” transfer of functions, assets, and personnel of Infracore Limited into the Council. This transition will occur over the next few months, with the final status to be reported back to the Council in December 2024.

Local Water Done Well

The water services legislation (namely the Water Services Entities Act 2022, the Water Services Legislation Act 2023 and the Water Services Economic Efficiency and Consumer Protection Act 2023), was repealed on 17 February 2024. The Government has recently enacted the Local Government (Water Services Preliminary Arrangements) Act 2024. The new legislation requires Council to deliver a Water Services Delivery Plan (WSDP) to the Secretary for Local Government by 3 September 2025. The plan must include the anticipated or proposed model or arrangements

and implementation plan for delivering water services. Council will not know what the model or arrangements are likely to be until the WSDP is approved by the Secretary. The new legislation has not had an impact on the 30 June 2024 financial statements or performance information.

Organic Services Contract

On July 3, 2024, the Council resolved to award the Organic Services contract to the preferred tenderer following a comprehensive procurement process. The total value of the contract is \$23.5 million, excluding GST and subject to necessary inflationary adjustments. The contract term is nine years, commencing on July 1, 2026.

The Group has adjusted its comparative year financial statements for the year ended 30 June 2023 for the correction of a prior period error.

During 2023/24, the Group discovered the non-disclosure of a deferred tax asset totalling \$6m for 2023. This deferred tax asset is recognition of Council's group tax losses that are available to offset the group tax liability arising from the Rotorua Regional Airport.

The financial statements for 2023, which are presented as comparative information in the 30 June 2024 financial statements, have been restated to correct this error.

The adjustments are shown in the table below:

Group	2023 Financial statement adjustments		
	Before adjustments (as published 2023)	Correction of errors	After adjustment (as restated 2023)
Statement of comprehensive revenue and expense			
Tax expense	375	(6,011)	(5,636)
Surplus/(deficit) after tax	(2,556)	6,011	3,456
Statement of financial position			
Non-current assets			
Deferred tax asset	-	6,011	6,011
Statement of changes in equity			
Surplus/(deficit) after tax	(2,556)	6,011	3,455
Closing balance	1,593,734	6,011	1,599,745
Equity (Accumulated Funds)			
Net surplus/(deficit)	(2,554)	6,011	3,457
Balance as at 30 June	715,221	6,011	721,232



Independent Auditor's Report

To the readers of Rotorua District Council and Group's summary of the annual report for the year ended 30 June 2024

The summary of the annual report was derived from the annual report of the Rotorua Lakes Council (the District Council) and its subsidiaries and controlled entities (the Group) for the year ended 30 June 2024.

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 2024;
- 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 2024;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2024 in our auditor's report dated 31 October 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 annual audit and our report on the disclosure requirements for the year ended 30 June 2024, and the audit of Council's 2024-2034 long-term plan, 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
29 November 2024



ROTORUA
LAKES COUNCIL