

ANNUAL REPORT

SUMMARY
2016/17



GREAT LAKE TAUPŌ
Taupō District Council

WELCOME

WELCOME TO THE SUMMARY OF OUR 2016/17 ANNUAL REPORT.

The specific disclosures in this summary have been extracted from the full Annual Report, which was adopted by Council with an unmodified opinion dated 26 September 2017.

The summary has been examined for consistency with the full Annual Report 2016/17 and audited by Audit New Zealand on behalf of the Auditor-General.

This summary was authorised by the Chief Executive and the Group Manager of Finance and Strategy on 26 September 2017.

This summary cannot be expected to provide a complete understanding of Council's financial and service performance, financial position and cashflows as the full Annual Report 2016/17.

The full Annual Report is available from the Council offices or can be downloaded at www.taupo.govt.nz.

COUNTING THE ASSETS

Council has \$1.1 billion in assets including land, infrastructure and buildings as at 30 June 2016.

These include:



MAYOR AND CHIEF EXECUTIVE OFFICER'S REPORT

Welcome to the summary of our Annual Report for the 2016/17 year.

This summary includes highlights from our annual report and outlines the key projects and initiatives we undertook on behalf of the community over the past 12 months. It shows how we performed as an organisation, analyses our expenditure and celebrates our achievements.

Council's long-term district strategy looks to guide us to achieve our goals around promoting economic development, protecting our water resources, maintaining our infrastructure assets and keeping rates and debt affordable. Essentially, our role is to ensure the Taupō District remains a great place to live, something we take great pride in doing.

We have remained focused throughout the 2016/17 year on undertaking a range of projects that allow us to achieve these goals.

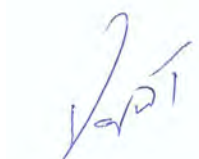
We continued our upgrade of intersections in Taupō's CBD, as well as improving shared paths to ensure everyone can easily make the most of our district's natural features. To help protect our most important natural asset we continued with our installation of stormwater filtering devices to reduce the amount of sediment, oil and litter entering Lake Taupō.

We saw strong building growth across the year with over 200 more Certificates of Compliance issued on the previous year. A lot of this growth was in lakeside settlements that have been traditionally popular for visitor populations in summer months. In order to ensure our infrastructure supports growing permanent populations such as Kinloch and Acacia Bay we have commenced investigatory work and installed new water infrastructure for a more reliable source of drinking water in these areas.

Fiscally, we performed well during the year and were on track with the financial strategy set out in our 2015-25 Long-term Plan. This allowed us to finish the 2016/17 year with \$8 million less debt than had been projected in the 2015-25 Long-term Plan and helped us to limit rate increases slightly less than was forecast in the long-term plan. Our prudent financial management also led us to retain our AA credit rating from Standard and Poor's, the highest rating that can be attained by councils.

Council staff around the district should be commended for their efforts in implementing projects and work on Council's behalf. They are fantastic ambassadors for our district and work hard to look after the place we love.

Looking ahead we will continue to work towards delivering the projects and strategies signalled in our 2015-25 Long-term Plan, as well as ensuring our \$1.1 billion of assets are maintained for our residents and visitors. We will represent our community's interests both regionally and nationally, while working as efficiently as possible to ensure rates are as affordable. All that we do will be to ensure the Taupō District remains a great place to live.



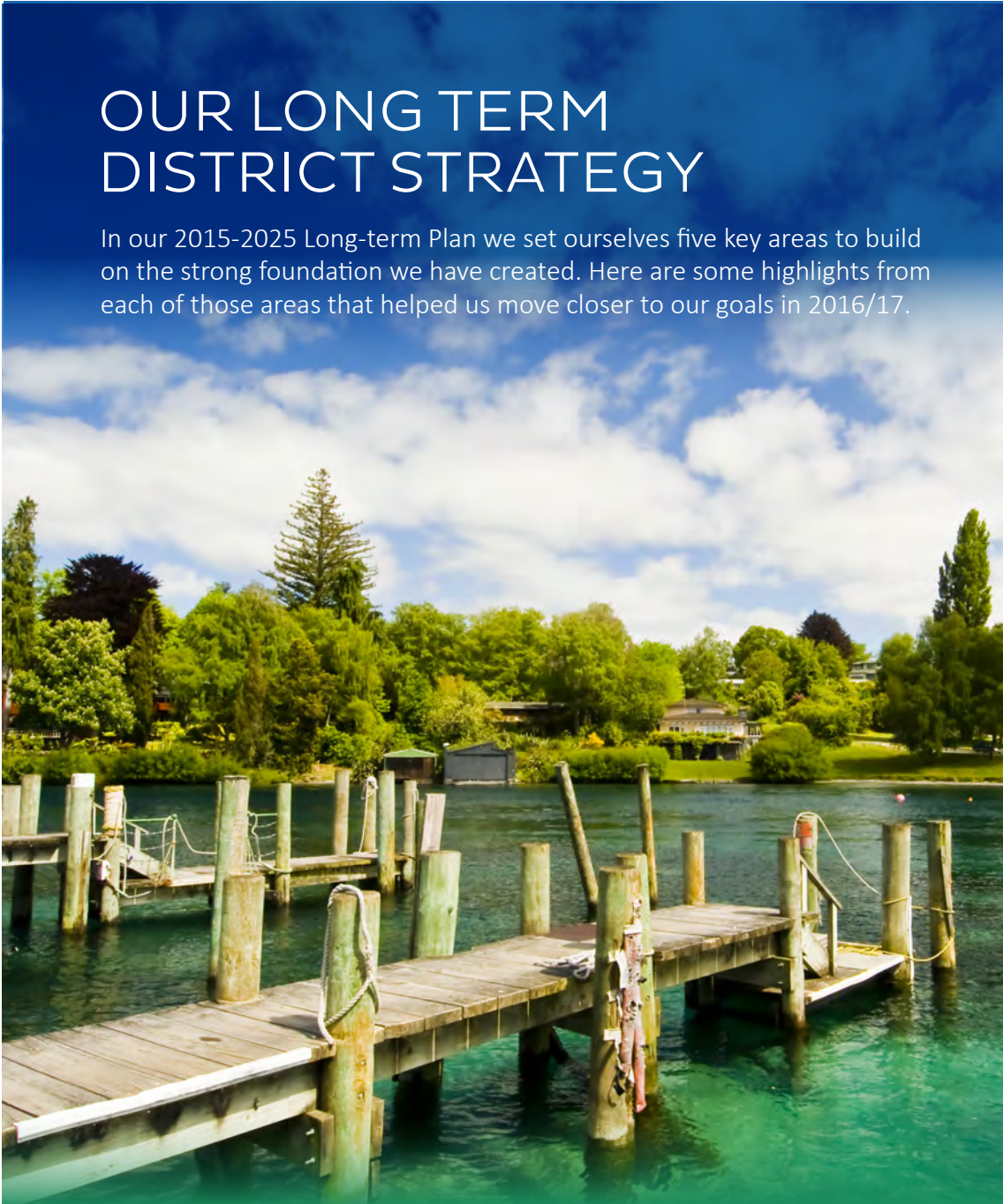
David Trewavas JP
Mayor



Gareth Green
Chief Executive

OUR LONG TERM DISTRICT STRATEGY

In our 2015-2025 Long-term Plan we set ourselves five key areas to build on the strong foundation we have created. Here are some highlights from each of those areas that helped us move closer to our goals in 2016/17.



**ENSURE
TAUPŌ
DISTRICT
REMAINS
A GREAT
PLACE TO
LIVE**

**PROMOTE ECONOMIC DEVELOPMENT
PROTECTING OUR WATER RESOURCES
AND USING THEM WISELY**

**MAINTAINING
OUR QUALITY
INFRASTRUCTURE**

**KEEP RATES
AND DEBT
AFFORDABLE**



ENSURE TAUPŌ DISTRICT REMAINS A GREAT PLACE TO LIVE

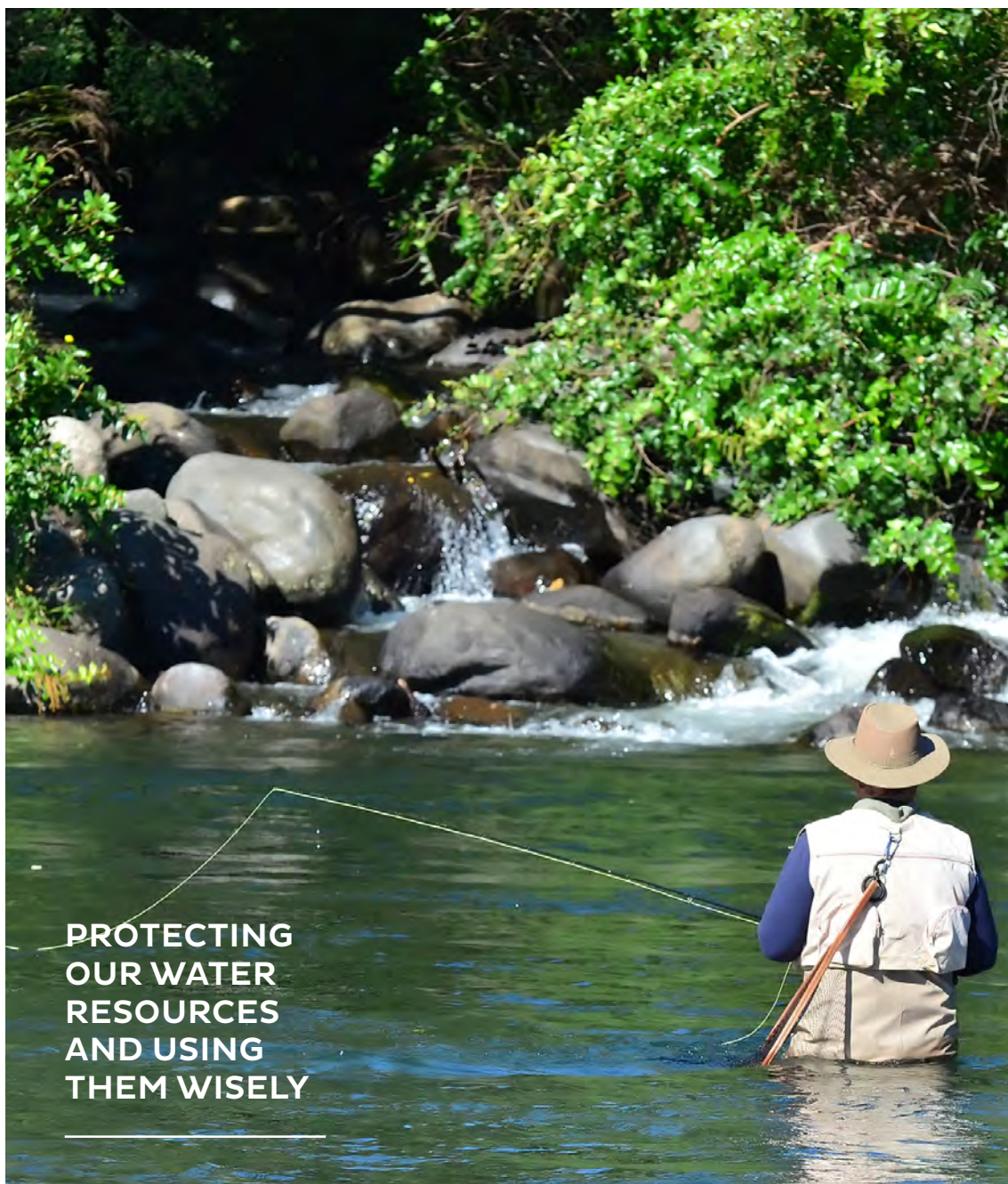
- Continued our upgrade of intersections throughout the Taupō CBD and revitalised gardens along the busy stretch of Tongariro Street.
- The shared path between Wharewaka and Five Mile Bay was officially opened during the year, allowing pedestrians, cyclists, wheelchairs and buggies to share the popular route along the lake front.
- Over 200 more Certificates of Compliance were issued on the previous year, with Council's GoBuild app helping not only inspectors, but also builders and property owners to book and complete inspections quicker.



PROMOTE ECONOMIC DEVELOPMENT

During the year we continued to invest in a number of key activities aimed at promoting the Taupō District as a great place to live, work and play.

- Continued attracting business, investment and providing economic development services through Enterprise Great Lake Taupō.
- We continued to provide leadership and support by promoting our district as a holiday and visitor destination through the activities of Destination Great Lake Taupō.
- Retained a strong focus on attracting and retaining quality events through our inhouse events team.
- Continued providing funding to Go Tongariro and Towncentre Taupō to assist with promoting and growing vibrant central business districts.



PROTECTING OUR WATER RESOURCES AND USING THEM WISELY

The protection of water resources such as Lake Taupō and the Waikato River is an important focus and we continued our relationship with central government, Waikato Regional Council (WRC) and iwi in this area.

- Various investigative work has been undertaken to ensure a reliable supply of fresh water for Kinloch and Acacia Bay into the future. This year an additional water main was installed between Kinloch reservoir and Boojum Dell and various sites have been evaluated for a potential water treatment plant in Acacia Bay.
- We continued with the installation of stormwater filtering devices that prevent sediment, oil and litter from entering Lake Taupō.



MAINTAINING OUR QUALITY INFRASTRUCTURE

We have \$1.1 billion in assets across our district including infrastructure and a wide range of quality leisure and recreation facilities.

Our strategy is to maintain our infrastructure as our existing network is in good condition and has enough capacity to cater for any expected changes in population and land use. We also want to ensure our infrastructure continues to deliver quality services to our residents and

visitors both today and for many years to come.

Ensuring the safety of pedestrians has been a focus this year, with refuge islands installed at two Lake Terrace intersections and a footpath realigned to make it safer. Taupō's single set of traffic lights was also upgraded to improve pedestrian safety and more efficiently manage traffic flows.



OUR FINANCIAL PERFORMANCE

KEEPING RATES AND DEBT AFFORDABLE

Council continues to contribute to its Financial Strategy adopted as part of its 2015-25 Long-term Plan.

LOOKING AFTER THE ASSETS WE HAVE WHILE MAINTAINING LEVELS OF SERVICE

Our district is still relatively young, this means that many of our infrastructure assets are in good condition and will not need renewing or upgrading for many years.

We must all pay our fair share of the use of these assets each year to ensure intergenerational equity is achieved, and that we don't create a financial burden for current or future generations. By rating for depreciation and holding this as cash reserves to fund for future renewals programmes, we are projecting a large build up of cash reserves by 2025.

KEEPING RATES AFFORDABLE AND SUSTAINABLE

Council's main source of operating revenue is from rates, both general and targeted. In the 2015-25 Long-term Plan projected rates increases were between 2 and 3 per cent (after adjusting for growth in rateable properties) over the 10 years of the plan. We have now completed the second year of the 2015-25 Long-term Plan where rates increases had originally been forecast at 2.42 per cent. However, the actual rates increase for 2016-17 was just 1.1 per cent. In preparing the 2017-18 Annual Plan, rates increases were set at 2.40 per cent, lower than that forecast in the 2015-25 Long-term Plan of 2.54 per cent.



PRUDENT MANAGEMENT OF OUR INVESTMENTS AND BORROWINGS

Council's credit rating has been maintained at AA by international credit rating agency Standard and Poor's. This rating reflects the prudent financial management of Taupō District Council and is the highest rating that can be held by a council within New Zealand.

DEBT

Closing debt position at 30 June 2017 was \$146m. The 2015-25 Long-term Plan projected that at the end of this year debt would be \$154m. However, after additional repayments were made and reported in the Annual Report 2014-15, this was re-forecast when preparing the 2016-17 Annual Plan to \$146m. The 2017-18 Annual Plan forecasts debt to be at \$144m by June 2018.

LIMITS ON RATES AND DEBTS

To meet all of these goals, Council proposed three limits on rates and debt, and has operated within these limits for 2016/17. These were:

- Total rates revenue must not exceed 80 per cent of operating revenues
- Rates increases may not exceed forecast Local Government Consumer Index (LCGI) + 1.0 per cent.
- Gross external borrowing may not be more than 200 per cent of annual operating income.

OUR PERFORMANCE

We set ourselves 128 measures in our Long-term Plan which we use to report back on our service performance across our 10 groups of activities. This page shows the percentage of targets achieved. Detailed reporting on the individual measures is included in our full annual report

74%
ACHIEVED

TOTAL NON-FINANCIAL PERFORMANCE MEASURES



COMMUNITY SERVICES



WATER



TRANSPORT



COMMUNITY FACILITIES



WASTEWATER



SOLID WASTE



STORM WATER



DEMOCRACY AND PLANNING



INVESTMENTS



ECONOMIC DEVELOPMENT

SUMMARY OF FINANCIAL STATEMENTS

OVERVIEW

Council's actual surplus of \$24.347m is \$19.774m more than the \$4.573m surplus planned. The explanations below address this variance.

REVENUE

Council's operating revenue was \$27.086m ahead of plan, this is due to the following operational areas being ahead of plan: rates \$0.426m, development and financial contributions \$1.453m, fees and charges \$1.877m, finance revenue \$0.366m, vested and first time recognition assets \$6.367m, gain on sale of properties \$4.036m and gain on sale of other property, plant and equipment \$1.081m, dividends \$0.237m, gain on the revaluation of investment

properties \$1.365m, realised and unrealised gains on financial investments \$0.979m, revaluation of derivatives \$8.804m, revaluation of forestry assets \$0.838m and other income \$0.407m. These gains are offset by subsidies and grants \$1.197m behind plan.

EXPENSES

Council's expenses are \$7.312m higher than plan. Removing the impact of the impairment of Lake Terrace office \$2.735m and the loss on valuation of financial assets \$0.086m, gives operational losses of \$4.491m which is made up of depreciation \$1.251m, interest on debt \$0.254m, loss on disposal of property, plant and equipment \$3.127m and operational expenses \$0.242m all above plan offset by employment benefit expenses \$0.383m below plan.

STATEMENT OF FINANCIAL POSITION

EQUITY

Council's Statement of Financial Position presents a healthy picture, our asset base is remaining stable and our level of borrowings is decreasing, currently at \$146m.

ASSETS

Investments including cash are \$24.178m higher than plan, trade and other receivables are \$0.101m higher than plan, inventory is \$0.944m higher than plan, prepayments are \$0.846m higher than plan and noncurrent assets held for sale \$7.659m higher than plan.

Investment properties are \$8.506m lower than plan, property, plant and equipment, intangibles and forestry were \$20.477m less than plan due to the revaluation of roading

assets \$7.731m lower than plan and land and building assets \$5.429m lower than plan in 2015/16, capital expenditure was \$8.6m behind forecast for the last two financial years. Disposals and impairments were \$5.5m (not budgeted), vested and first time recognition assets were \$6.4m higher than plan and the forestry valuation was \$0.868m higher than plan.

LIABILITIES

Trade and other payables \$1m higher than plan, derivative financial instrument liabilities are \$3.044m higher than plan due to fair valuation changes in current and prior year. Borrowings \$0.5m higher than plan mainly due to less supplementary repayments made than planned.

These financial statements are extracted from the full Annual Report. That report was prepared in accordance with generally accepted accounting practice in New Zealand and was prepared under Tier 1 Public Benefit Entity International Public Sector Accounting Standards (NZ PBE IPSAS). The prior year comparative figures for Council and Group have been restated to reflect a prior period error in the valuation of investment properties in 2015/16. This has affected the Statement of Comprehensive Revenue and Expense, the Statement of Changes in Net Assets/Equity and the Statement of Financial Position. The information in this summary financial report has been prepared in accordance with PBE FRS43: Summary Financial Statements. 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 in the full financial statements. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars. The functional currency of Taupō District Council and Group is New Zealand dollars

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2017

	Council Actual 2017 \$000	Council Budget 2017 \$000	Council Actual (Restated) 2016 \$000	Group Actual 2017 \$000	Group Actual (Restated) 2016 \$000
Revenue	108,847	81,761	91,055	109,650	92,140
Expenses	75,491	68,433	81,151	76,698	82,337
Finance expense	9,009	8,755	9,786	9,009	9,786
Net surplus/(deficit) before tax	24,347	4,573	118	23,943	17
Tax (expense)/credit	-	-	-	18	28
Net Surplus after tax	24,347	4,573	118	23,961	45
Attributable to:					
Taupō District Council	24,347	4,573	118	24,025	108
Non-controlling interest	-	-	-	(64)	(63)
Net surplus/(deficit) for the year	24,347	4,573	118	23,961	45
Property, plant and equipment revaluations	11,316	19,047	23,240	11,948	23,877
Financial assets at fair value through other comprehensive revenue	(11)	-	(151)	(11)	(151)
plus tax on equity items	-	-	-	(172)	(56)
Total other comprehensive revenue	11,305	19,047	23,089	11,765	23,670
Total comprehensive revenue and expense	35,652	23,620	23,207	35,726	23,715
Attributable to:					
Taupō District Council	35,652	23,620	23,207	35,560	23,706
Minority interest	-	-	-	166	9
Total recognised revenue and expenses	35,652	23,620	23,207	35,726	23,715

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Council Actual 2017 \$000	Council Budget 2017 \$000	Council Actual 2016 (Restated) \$000	Group Actual 2017 \$000	Group Actual 2016 (Restated) \$000
Equity at start of the year	1,023,825	1,035,033	1,000,618	1,031,368	1,007,653
Total comprehensive revenue and expense previously reported	35,652	23,620	23,207	35,726	23,715
Balance at 30 June	1,059,477	1,058,653	1,023,825	1,067,094	1,031,368
<i>Components of Equity</i>					
Accumulated funds	782,836	787,284	770,992	784,179	772,657
Council created reserves	112,394	91,173	98,813	112,394	98,813
Revaluation reserves	164,247	180,196	154,020	167,136	156,679
Non-controlling interest	-	-	-	3,385	3,219
Total Equity	1,059,477	1,058,653	1,023,825	1,067,094	1,031,368

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Council Actual 2017 \$000	Council Budget 2017 \$000	Council Actual 2016 (Restated) \$000	Group Actual 2017 \$000	Group Actual 2016 (Restated) \$000
Current assets	116,135	69,120	77,748	117,153	78,774
Non-current assets	1,124,636	1,166,663	1,136,610	1,133,019	1,144,599
Total assets	1,240,771	1,235,783	1,214,358	1,250,172	1,223,373
Current liabilities	33,264	60,986	33,809	33,970	34,359
Non-current liabilities	148,030	116,144	156,724	149,108	157,646
Total liabilities	181,294	177,130	190,533	183,078	192,005
Equity	1,059,477	1,058,653	1,023,825	1,063,709	1,028,149
Non-controlling interest	-	-	-	3,385	3,219
Total equity	1,059,477	1,058,653	1,023,825	1,067,094	1,031,368

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Council Actual 2017 \$000	Council Budget 2017 \$000	Council Actual 2016 \$000	Group Actual 2017 \$000	Group Actual 2016 \$000
Net cash from operating activities	24,711	19,415	22,302	24,400	22,562
Net cash from investing activities	(17,431)	(16,987)	(24,552)	(17,123)	(24,605)
Net cash from financing activities	(1,864)	(5,103)	(1,960)	(1,864)	(1,960)
Net increase (decrease) in cash held	5,416	(2,675)	(4,210)	5,413	(4,003)

ADDITIONAL DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

	Council Actual 2017 \$000	Council Actual 2016 \$000
<i>Mayor and Councillors</i>		
Remuneration	460	451
Full time equivalent members	11	11
<i>Senior Leadership Group, including the Chief Executive</i>		
Remuneration	1,319	1,261
Full time equivalent members*	7	5
Total key management personnel compensation	1,779	1,712
Total full-time equivalent personnel	18	16

*note as at the 30 June 2017 there were nine actual members of the Senior Leadership Group.

COMMITMENTS

	Council Actual 2017 \$000	Council Actual 2016 \$000	Group Actual 2017 \$000	Group Actual 2016 \$000
Major contracts	25,874	28,353	25,874	28,353
Non-cancellable operating leases	949	925	949	925
Total commitments	26,823	29,278	26,823	29,278

OTHER CONTINGENCIES

Council may be subject to claims relating to weather tightness building defects. As at the date of this report the Weathertight Home Resolution Service (WHRS) is investigating one claim affecting one property in the Taupō District (2016 One WHRS claim) which is likely to be accepted into the Government's Financial Assistance Package (FAP) scheme, the maximum financial exposure to Council is estimated at \$100,000. Any leaky building claims made against Council after 1 July 2009 are not covered by our insurers.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Taupō District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 40 of which are located within the Taupō District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

In addition to the weather tightness building defect claim, there are a further eight unresolved potential legal and insurance claims against Council as at 30 June 2017 (2016 - 18 claims).

All matters present some contingent liability risk related to building or resource consents, property damage, or other aspects of Council's operations which the claimants believe has caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council has notified its insurers where relevant and will seek to limit actual liability, if indeed there is any liability at all.

Due to recent earthquakes in Canterbury, Council needs to assess whether there is any risk to buildings in the Taupō District.

Council has begun the task of evaluating its own buildings, commencing with the buildings of highest risk to human life, to determine if they may be earthquake prone, the buildings assessed so far comply for the intended use. The issue of contingent liability, if any, is unquantifiable.

Council has also disclosed contingent liabilities in relation to the Local Government Funding Agency, land slide, land subsidence, erosion, flooding and status of certain reserve lands in relation to iwi ownership, please refer to note 33 of the full Annual Report for details

PRIOR YEAR ERROR CORRECTION

The Council and Group has adjusted its comparative year financial statements for the year ended 30 June 2016 for the correction of a prior period error.

When the investment property revaluation was completed in the 2016/17 year it was discovered that an error in hectareage was made in the valuation of a piece of land in the 2015/16 valuation, in effect double counting a portion of

land. This means that the gain on revaluation of investment properties and the asset value was overstated in 2015/16 by \$5.259m. This figure is an estimate based on the dollar per hectare of the original valuation in June 2016. The financial statements for 2016, which are presented as comparative information in the 30 June 2017 financial statements, have been restated to correct this error.

EVENTS AFTER BALANCE DATE

There were no significant events after balance date that require reporting.

Independent Auditor's Report

To the readers of Taupo District Council's summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Taupo District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 12 to 17:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and cashflow statement for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as 'Our 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 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 2017 in our auditor's report dated 26 September 2017.

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 reporting on the summary annual report, we have reported on the full annual report and carried out an assurance review of the District Council's Debenture Trust Deed which are compatible with those independence requirements. Other than this reporting and the assurance review, we have no relationship with, or interests in the District Council.



Clarence Susan,
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
26 September 2017



GREAT LAKE TAUPŌ
Taupō District Council

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