

OVERVIEW



Here's how your rates

It cost the average ratepayer \$1,313 to op

TAUPO AIRPORT
\$4

**ENVIRONMENTAL
MANAGEMENT**
\$103

**ECONOMIC
DEVELOPMENT
& MARKETING**
\$59

**CORPORATE
& STRATEGIC
INVESTMENTS**
\$42

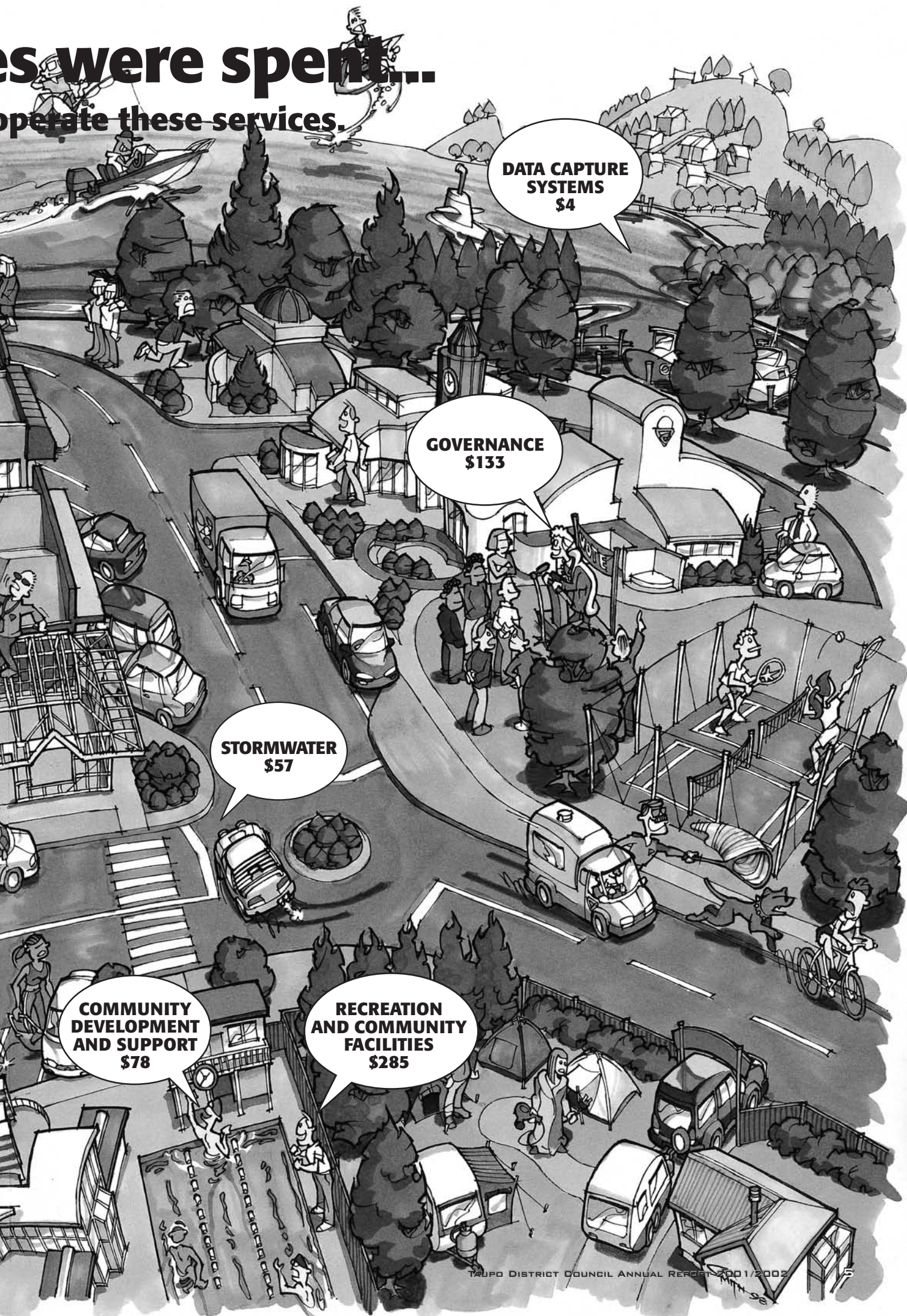
**ROADING
NETWORK**
\$196

**SOLID WASTE
MANAGEMENT**
\$71

WASTEWATER
\$149

**WATER
SUPPLY**
\$132

es were spent... operate these services.



**DATA CAPTURE
SYSTEMS
\$4**

**GOVERNANCE
\$133**

**STORMWATER
\$57**

**COMMUNITY
DEVELOPMENT
AND SUPPORT
\$78**

**RECREATION
AND COMMUNITY
FACILITIES
\$285**

2002-2003 HIGHLIGHTS

A new Chief Executive Officer, Simon Rowbotham was appointed in July. Mr Rowbotham, who had been in charge of the Council's Strategic Management Division for six years, took up the CEO position in November following the retirement of long serving CEO Andrew Dibble.

Rates Review

A rates review carried out in consultation with the community between January and March resulted in Council opting to remain with the current land based rating system. A new Targeted Uniform General Rate that is calculated on the basis of specific services that benefit all ratepayers was introduced in place of the previous fixed Standard Uniform Annual Charge. The rate reduces the impact that annual valuation changes have on various sectors of ratepayers and will be phased in over a three year period.

Solid Waste Strategy

A district wide solid waste strategy aimed at reducing the amount of rubbish disposed of at the district landfill and encouraging recycling initiatives took effect in July 2002. The first year of operation saw a 37% reduction in the disposal of non-recyclable rubbish volumes at the district landfill on Broadlands Road.

Taupo District Plan

Decisions on the proposed Taupo District Plan were publicly notified towards the end of the financial year. The effects based plan sets minimum standards for land use to avoid or lessen adverse impacts on the environment. Some 4600 submissions were heard between September 2001 and February 2002. Decisions were publicly notified in May resulting in 32 appeals.

East Taupo Arterial Highway

The route for a proposed East Taupo Arterial highway around Taupo Township was designated – marking a major milestone for the project. Stage 4 of the proposed highway from Centennial Drive to Wairakei was also included in Transit New Zealand's 10 year plan.

AC Baths re-development

Taupo's historic AC Baths complex re-opened to the public in April after undergoing a major re-development. Work on the development started in February 2002 and followed nearly six years of planning and public consultation. The entire complex was re-built with the exception of the existing 25 metre training pool. The new facilities include an indoor-outdoor leisure pool, 25 metre covered deep water competition pool, indoor learn to swim pool, twin indoor hydro slides, nine private pools, poolside café and separate steam and dry saunas.

Mangakino Sewerage Treatment Plan

A new \$700,000 sewerage system was officially opened in September by Mayor Clayton Stent – marking an end to the disposal of treated effluent into Lake Maraetai. Treated effluent is now disposed of on land and dispersed by way of a new subsurface irrigation system on to part of the Mangakino Golf Course and Council reserve land.

Turangi Sewerage

Resource consents were approved for a new state-of-the-art Turangi wastewater treatment plant near Turangi to achieve required effluent quality.

Tuwharetoa Street Upgrade

The bulk of a million dollar upgrade to Tuwharetoa Street in Taupo's central business district was completed just prior to Christmas. The re-development included widening and paving of the pedestrian walkway, extensive landscaping, new lighting and street furniture.

MAYOR AND CHIEF EXECUTIVE OFFICER'S REPORT

2002/2003 year challenging but successful

The year will be remembered as a particularly challenging one for both staff and elected members. In addition to the usual workload we found ourselves dealing with declining Lake Taupo water quality, urban growth issues, the ramifications of a new area of subsidence detected in the Crown Road area, issues relating to Contact Energy encumbrances on urban lands and the East Taupo Arterial route and a number of major reviews. Thanks to the efforts of councillors and staff we made excellent progress on all these issues and more, giving us a solid platform on which to plan for future growth.

Local Government Act 2002 - Taupo district ahead of the game in meeting new requirements

The workload was compounded by the introduction in December 2002 of the new Local Government Act. Although aspects of the new Act placed pressure on already stretched staff resources, Council is already well advanced in meeting the requirements of the new Act with regard to establishing outcomes the community is seeking for our district and engaging with Central Government agencies and stakeholder groups to achieve those outcomes. This work is being undertaken through the VAST project. The new Local Government Act will require all units of local Government in New Zealand to undertake an exercise which commenced in the Taupo district more than three years ago - thanks to good forward planning.

Financial Performance

We are pleased to report that in spite of the additional pressures Council met critical service objectives with overall income and expenditure staying within financial parameters prescribed in the Annual Plan and Long Term financial strategy.

Critical service objectives met within financial parameters

This Annual Report shows a net deficit for the year ended 30 June 2003 of \$2.2 million, compared to a budgeted surplus of \$1.1 million. This was due largely to the \$1.7 million write-down in the value of international

equities held, reflecting the state of the world equities markets. Since balance date the world equities markets have rallied, recovering much of the lost ground. The advice Council has consistently received from its' advisors is that an investment in equities is a long term decision, and that over time equities outperform cash and fixed investments.

A net deficit of \$0.5 million before the write-down in equities compared to a planned net surplus of \$1.1 million. A key reason for the \$1.6 million difference arose from unbudgeted expenditure of \$1.2 million relating to legal, professional and consultancy fees. These were associated with the Eastern Taupo Arterial route and Geothermal subsidence. A further \$0.3 million relates to an increase in the provision for rates refundable to forestry owners as a result of past valuation objections now having been settled.

Rates Review - Rates review undertaken in consultation with community

A rates review was undertaken in consultation with the community between December and February. The review was prompted by a change in rating legislation and requests from some ratepayers – mainly from rural and commercial areas – who believed they were penalised by the existing system. Although Council opted to remain with the current land value based rating system the review did result in the introduction of a new Targeted Uniform General Rate to replace the previous fixed Separate Uniform Annual Charge. The new rate, which is being phased in over a three year period, identifies services that are more fairly funded by all ratepayers, ensuring that all property owners are charged the same amount for access/use to the services that they can all benefit from. The increase in the new rate will be offset in the 2003/2004 year by a reduction in the general rate.

Subsidence - Crown Road subsidence investigations continue

Costs associated with subsidence investigations impacted significantly on the end of year financial results and took up a great deal of time during the course of the year. An estimated \$700,000 was spent on

subsidence investigations . This included the public release in February of a report from consultant Sinclair Knight Merz (SKM) that indicated that commercial extraction of geothermal fluid from the Wairakei Tauhara field was responsible for subsidence in the Crown Road area. A peer review of the SKM report that was also commissioned by Council and released at the same time confirmed the SKM findings. As a result of subsequent meetings involving scientific experts, Contact Energy has agreed to undertake bore log sampling to a depth of up to 80 metres in the Crown Road area to try and determine whether the subsidence is deep seated or occurring because of some other shallow/near surface phenomenon. There is a risk that the results will be inconclusive, however the agreement reached on a testing programme is an indication that all parties are now working in an effort to reach agreement on what is responsible for the subsidence bowl currently occurring in the Crown Road area .

Through submissions to the upcoming Wairakei consenting process and Environment Waikato's proposed Regional Plan, Council is continuing efforts to make sure that urban areas are protected from the effects of commercial geothermal draw off. We intend to continue vigorous lobbying of both entities with regard to targeted infield re-injection of geothermal fluid which our experts believe is the only way to mitigate subsidence resulting from geothermal draw-off.

Relationship with Contact Energy - Hopes high of reaching out of court settlement with Contact over lifting of encumbrances

Balancing the needs of a growing tourist focused region like ours against those of a multi national company like Contact Energy is a constant challenge. Ideally, we need to co-exist as amicably as possible without the needs of either party being compromised. Considerable effort has been made in the last year to try and reach consensus on a way forward on a range of issues without resorting to costly court action. We are hopeful that our discussions will enable us to reach agreement on the lifting of encumbrances held by Contact Energy on the proposed East Taupo Arterial and urban lands earmarked for residential development on the eastern outskirts of Taupo. Subsidence induced by geothermal extraction will continue to be dealt with as an entirely separate issue.

East Taupo Arterial - Taupo East Arterial route gains designation

After years of planning and negotiation the route for a proposed East Taupo Arterial highway was officially designated in early December marking a milestone for the project . The project was further boosted with the inclusion of Stage 4 from Centennial Drive to Wairakei in Transit New Zealand's 10 year plan. This means that Transit funding will be available for the design and construction of stage 4.

Construction of the proposed East Taupo Arterial is pivotal to the satisfactory conclusion of a number of other "big picture" council projects such as:

- Planning for residential development within the Taupo township
- Planning for a second east/west bridge link over the Waikato River to service the Taupo township
- Urban design for the Taupo town central business district and possible re-development of Lake Terrace

The progress made with the project last year – including strong indications that encumbrances on the route may be lifted without the need for court action – make us cautiously optimistic that design work on the entire route could get underway within the next year.

Lake Taupo Water Quality - Government supports strategies to protect Lake Taupo water quality

Protection of Lake Taupo water quality is singularly one of the most important issues facing this district requiring input at a national and regional level. A high note for Council was confirmation in July 2003 of Government financial support for strategies being developed by this Council, Environment Waikato , Tuwharetoa and other stakeholders to protect Lake Taupo water quality and reduce nitrogen flows into the lake . We want to make sure that the financial cost of protecting the lake does not fall largely on local residents and it is heartening to see that central Government has recognised that Lake Taupo is a national treasure that must be protected.

AC Baths

The completion of a multi million dollar upgrade to Taupo's historic AC Baths was a highlight of the financial year. The re-developed facility provides the district with a top leisure and sporting facility. Despite some teething problems due mainly to design aspects which are still under investigation, early feedback from patrons and

forward bookings for swim events has been excellent, boding well for the future.

Taupo District Plan - Major progress made with proposed District Plan

One of our major objectives has been development of a range of planning documents to ensure that Council and stakeholders have a clear vision with regard to future urban development. Major progress was made with the Taupo District Plan thanks to the dedicated efforts of planning staff and members of a Hearing Sub-Committee set up to hear some 4600 submissions made to the Plan. The hearings phase wound up at the end of February and the plan was notified in May. A total of 32 appeals were received and efforts will be made to try and resolve as many of these as possible through negotiated agreements. The effects based Plan sets minimum standards for land use in order to avoid or lessen adverse impacts on the environment.

Taupo Urban Structure Plan - Taupo Urban Structure Plan being reviewed

A review is currently being undertaken of the Taupo Urban Structure Plan. The document helps to identify how the Taupo urban area might grow in the future. The review recognises that significant changes have occurred in the two years since the document was first published. They include continued demand for residential and industrial land, new population forecasts, changes in the pattern and distribution of urban and rural-residential development, increased knowledge about utilisation of the Wairakei-Tauhara geothermal system and associated effects, and requirements under the Local Government Act 2002. Continued urban growth in and around Taupo township is currently being constrained by scarcity of land.

Taupo Town Centre Structure Plan - Taupo Town Structure Plan attracts 26 submissions

Submissions to a draft Taupo Town Centre Structure Plan closed at the end of May 2003 attracting comment from 26 organisations and individuals. The document deals with traffic movements, Council infrastructure, reserves and amenity issues. The majority of submitters agreed with the broad objectives. They include:

- Capitalising on opportunities for linking the central business district with Tongariro domain

- Retaining and enhancing the existing town centre as a central focus
- Encouraging pedestrian traffic within a core area of the town centre

A hearing in the coming financial year will give submitters further opportunity for comment.

Economic Development - Three year contract signed with private provider

A three year contract was signed with a private service provider – the Lake Taupo Development Company – for the provision of council funded economic development services. Under the interim strategy LTDC will receive \$250,000 annually for the next three years. In the meantime, development of a long term service delivery model is continuing. Constructive talks were held during the year between the Lake Taupo Business Development Company, TEST, Marketing Advisory Board, the Chamber of Commerce and other interest groups.

Talks have centred on future co-ordination of economic development matters and implementation of the district Economic Development Strategy.

Centennial Park - Proposed re-development of Centennial Raceway could bring huge economic benefits

Council took up the opportunity to purchase a block of freehold land adjacent to Centennial Park on the eastern outskirts of Taupo. The strategic purchase paved the way for further investigation into development of an international motor racing circuit and associated business park at the Centennial Park raceway. A management company was appointed by Council to undertake public consultation, lodging of resource consent applications, identifying investors and tenants for the proposed business park. Investor interest in the proposal has been strong and a resource consent application for the project was about to be lodged at the time of writing. The project has the potential to bring huge economic benefits to the district and is in line with Council's strategic objective of encouraging new industry to the area and creating employment.

Mangakino - Sections in Mangakino freeholded

The freeholding of sections in Mangakino township resulted in a high number of property sales. Residents were given the option of purchasing their sections. They

were also given first option to purchase vacant sections in town before they were offered on the open market. A \$700,000 land based sewerage treatment system was also commissioned during the year.

Turangi/Tongariro - Resource consent granted for new wastewater treatment plant

At the southern end of the lake, the Turangi Tongariro Community Board was granted a resource consent for a major upgrade to the Turangi Wastewater Treatment Plant. The project reflects our commitment to protecting Lake Taupo water quality. Wastewater from Turangi and Tokaanu is currently treated at the town's 38 year old plant in Awamata Road and discharged by way of oxidation ponds, overland flow areas and artificial wetland.

The proposed new multi million dollar treatment system involves new and improved methods for disposal to meet strict environmental and health requirements.

District Waste Strategy - Recycle More Pay Less message catches on

The introduction of a district wide partial user pays waste strategy at the beginning of the financial year heralded a new era in solid waste disposal. Residents responded with enthusiasm to the "Recycle More-Pay Less" message. A subsequent 37% reduction in the volume of rubbish being disposed of at the district landfill in Broadlands Road during the year far exceeded the 25% estimated reduction that was the basis of the fees structure. While the objective of extending the life of of the district landfill is being met, the increase in recycling impacted on collection fees, resulting in an end of year deficit of nearly \$200,000 in solid waste management. The fee structure has been modified for the coming year to compensate for the situation. The other plus is that the reduction in rubbish volumes at the landfill has enabled Council to defer half a million dollars in capital expenditure for future expansion at the landfill.

Rangitaiki Forest - Initial harvest returns close to budget

Council started harvesting in Rangitaiki Forest at the end of 2002. Despite a general economic slowdown in the forestry industry, returns from 30% of the forest that was harvested by the end of the financial year have been relatively close to budget.

Representation Review - Representation review continues into next financial year

A review of political representation is to continue in the 2003/2004 financial year. One of the main reasons for deciding not to complete a review in time for the 2004 local body elections was due to concern about the impact of requirements under the new Act which largely limit Council to using population criteria when determining ward representation. The majority of councillors are of the opinion that population is not an appropriate criteria on its own, for determining representation for this district. We are not the only district with concerns and as a result the emphasis in the coming year will be to work with Local Government on a collaborative approach seeking legislative change. This needs to be actioned before the review can be completed including consideration of separate Maori representation and ward boundaries. The district is continuing to grow at a rapid rate. This generates pressures in all areas of economic, environmental, cultural and community development making it important for us to retain our focus. We believe the provision of adequate network infrastructure is a fundamental pre-requisite to achieving enhanced community, economic, environmental and cultural outcomes. Provision of this infrastructure is a basic part of our business. With all that goes on within Local Government and our district it is important that we do not lose focus on achieving such core business objectives.



Clayton Stent, LLB, JP
MAYOR



Simon Rowbotham, B Com, CA
CHIEF EXECUTIVE OFFICER